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MANAGEMENT
Opel pulls ahead in east Germany
Page 10

World News

Hostage saga nears end with release of Anderson

Terry Anderson, the longest-held western hostage in Lebanon, became the third and final American freed in as many days, signalling the end of the decade-long crisis. Hopes rose in Bonn that the two remaining western hostages, both German aid workers, would soon be released. Page 16

Arabs wait in vain
Three Arab delegations waited fruitlessly in Washington for Israel to attend the start of bilateral peace negotiations. They warned they might not be available next Monday when Israel has promised to be present. Page 4

Hong Kong doubt
Early establishment of Hong Kong's proposed court of final appeal was put in doubt when the colony's Legislative Council urged Britain and China to renegotiate the agreement on its composition. Page 4

Duke challenges Bush
Former Ku Klux Klan leader David Duke said he will seek the Republican presidential nomination, opening President George Bush to a challenge from the far right. Page 6

Anglo-Irish pledge
The British and Irish prime ministers agreed in Dublin to hold twice-yearly meetings and both promised to push for renewed peace talks on Northern Ireland. Page 9

Natal clashes kill 16
A night of fighting between rival black South African factions armed with guns, spears and knives killed at least 16 people in Natal.

Nuclear wasteland
Nuclear accidents and waste have made significant parts of Russian territory uninhabitable for decades, the republic's environment minister said.

Garcia trial unlikely
Peru's former president Alan Garcia is unlikely to face trial on charges of illegally enriching himself. A supreme court judge decided there is insufficient evidence. Page 6

East Timor death toll
East Timor's governor said far more people were killed than the army claimed when Indonesian troops fired on mourners last month and most were shot while praying. Page 4

Athens blackout
Athens suffered power cuts as Greek workers started a 48-hour strike in protest against plans for a partial sale of public utilities. Page 3

Hanoi frees detainees
Hanoi has started to free the last of its Vietnam War detainees, apparently fulfilling a US condition for normalising ties with Washington. Page 4

Drug smugglers hanged
Four heroin smugglers, two of them Afghanis, were hanged in the north-eastern Iranian city of Mashhad.

French drink most
The French drink about half as much alcohol as they did a generation ago but still top Europe's league of drinkers, French government figures show. The drinkers of Luxembourg and Spain rate second and third.

Business Summary

Court orders Accor to raise bid for Wagons-Lits

French hotels group Accor was told by Brussels commercial court to raise its FFr2.2bn ($390m) bid for Wagons-Lits, the Franco-Belgian travel company, by as much as FFr1bn.

The court ruled that Accor and its bid partner, Société Générale de Belgique, had taken effective control of Wagons-Lits in June 1990, when they bought a 26 per cent stake at BFr12,500 a share. The two companies launched their joint bid two months ago at BFr8,650 a share. Page 17

JAPAN'S ECONOMY performed more strongly than expected in the third quarter, posting a 4.2 per cent increase compared with the same three months in 1990. Page 16

CHRISTIANIA BANK, Norway's second biggest, is to receive a NKr5.14bn ($809m) state injection and warned it would seek up to NKr3bn in additional state support during the first quarter of next year. Page 17

NORA BEVERAGES, Canadian mineral water company, has filed a lawsuit against Perrier of the US alleging Perrier copied a plastic bottle developed by Nora. Page 19

SEAGRAM, Canadian-based international drinks group, reported an 8.4 per cent rise in third quarter operating profits to $206m against $190m a year earlier. Page 18

VIAG, German conglomerate, forecasts a sales rise of 25 per cent this year to DM25bn ($15.5bn) and a profits increase to more than DM400m from DM336m. Page 18

CHRISTIAN DIOR: The FFr787m ($142m) flotation of the Paris fashion house attracted 3.23m applications for the 1.3m shares on sale to the French public. Dior's international placing was also oversubscribed. Page 18

FORD, US carmaker, is to reorganise top management at Jaguar, its loss-making UK subsidiary. Nick Scheele, president and managing director of Ford of Mexico, becomes vice chairman from January 1. Bill Hayden, chairman and chief executive, is expected to retire in the spring next year. Page 17

HANSON, Anglo-US conglomerate, reported a 3 per cent increase in pre-tax profits to £1.31bn ($2.3bn) from £1.28bn on sales of £7.7bn from £7.2bn in the year to September 30. Page 17; Lex, Page 16

EUROPEAN car makers' efforts to freeze out intermediary companies offering cars at lower prices across Community borders were set back by a ruling from EC competition commissioner Sir Leon Brittan. Page 16

COSTAIN, UK construction, property and mining group, sold its British investment property portfolio for £101.3m ($179.3m) to reduce borrowings. Page 21; Lex, Page 16

AVON RUBBER, UK-owned tyre company which also manufactures industrial polymers, announced a drop in pre-tax profits from £10.6m ($18.8m) to £965,000, due to the cost of a reorganisation announced in October. Page 22

BASS, UK brewer, exceeded market expectations with a decline in full year pre-tax profits of 5 per cent to £508m ($899m). Page 22; Lex, Page 16

The Maastricht summit: Will it change the face of Europe? What does it mean for you? Get your special, two-page guide in this Saturday's FT.

COUNTDOWN TO MAASTRICHT

Banks surprised as commercial loan principal payments dry up

Soviets halt debt repayments

By Leyla Boulton and John Lloyd in Moscow, Peter Norman in London, David Waller in Frankfurt and Alice Rawsthorn in Paris

THE BANK which services the Soviet foreign debt is suspending principal payments to commercial banks on medium and long-term loans with effect from today.

Vnesheconombank said yesterday that the move was part of last month's debt relief agreement with the Group of Seven leading industrial countries which deferred principal payments on official debts and stipulated that the Soviet Union would seek "comparable treatment" on commercial bank debt.

In a telex sent to all creditor banks, Vnesheconombank said it was requesting a deferral of principal payments on debts contracted before January 1991 because "the Soviet Union and its successors are presently facing a very critical situation in the economic and financial field".

The bank said it would keep up interest payments on all loans and honour obligations related to letters of credit, foreign exchange and gold contracts. It invited banks to begin talks on rescheduling principal payments with a steering committee headed by Deutsche Bank.

The announcement followed a meeting in Vienna on Tuesday at which Vnesheconombank told major creditors that it would be unable to continue repaying principal on the estimated $84bn of Soviet foreign debts. The perception that yesterday's news would hit German banks in particular boosted the dollar by 1 pfennig against the D-Mark and depressed Deutsche Bank shares in after-hours dealing in Frankfurt.

Although some commercial bankers expressed surprise at being presented with an apparent fait accompli, senior G7 officials said they had expected such action some 10 days earlier following the debt relief agreement. They were disturbed to find that Vnesheconombank had been repaying principal on long- and medium-term official debt until late last week, instead of taking advantage of last month's pact.

The G7 agreed the debt deferral pact to help Russia and other republics import food, medicines and other basic commodities to survive a winter of harsh economic reforms.

Yesterday's announcement by Vnesheconombank came as the republics of the former Soviet Union met for a second day of talks on dividing up Soviet assets and responsibility for the foreign debt.

The inter-republican economic committee said republican leaders were expected to finalise an agreement allocating assets and responsibility for the foreign debt today.

Eight out of 12 Soviet republics agreed last month to service "jointly and severally" the $84bn foreign debt in return for the G7's debt relief package. But they still must come up with an effective mechanism to provide Vnesheconombank with the hard currency to do its job as debt manager.

Vnesheconombank has also experienced difficulty in servicing the Soviet Union's foreign debt because repayment obligations are particularly heavy this year and next.

Without the debt deferral agreement, its total debt obligations (including principal and interest for both commercial and official debts) for the last two months of this year alone would have been $4.5bn followed by $16.5bn for the whole of 1992, and $18.5bn in 1993.

Although financial markets reacted adversely yesterday, German bankers have been keen to play down the impact of Soviet debt deferral.

The German banking sector as a whole is thought to be owed DM35bn ($56bn) by the Soviet Union, but the direct uninsured exposure of the commercial banks, at about DM6bn-DM10bn, is much smaller. Most of this has been fully provided for by the banks.

Deutsche Bank's exposure is thought to be DM5bn of which all but DM1bn has been provided for. Dresdner Bank is thought to have around DM1bn of uninsured exposure, and Commerzbank, – alone of the bigger banks in not having provided against its uninsured Soviet exposure – DM900m.

French banks were among the most active lenders to the Soviet Union in the mid to late 1980s, but have adopted a much more cautious approach in recent years. The total exposure of all French banks is believed to have fallen to FFr20bn ($3.6bn) from FFr54bn at the end of 1989.

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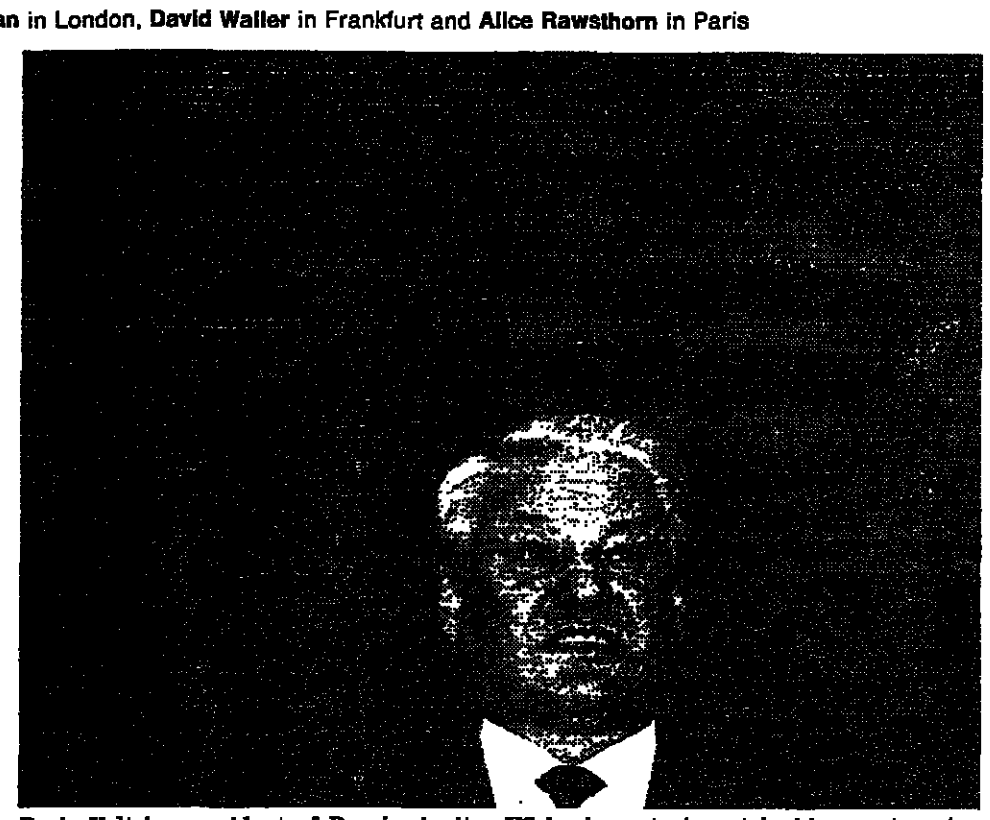

Boris Yeltsin, president of Russia, invites US business to invest in his country at a Soviet-US trade symposium in the Kremlin yesterday

Pan Am gives up fight for survival

By Nikki Tait in New York

PAN AM, a once-proud flagship for the US airline industry but beset by heavy losses and an acute cash shortage recently, ceased operations yesterday.

The bankrupt airline's 10,000 remaining employees were told immediately that their services were no longer required, and Pan Am's 57 remaining aircraft, many of which are leased, were being marshalled in Miami and New York.

Pan Am is the third US airline to stop flying this year – after Eastern Airlines, in January, and Midway Airlines, a regional carrier, last month.

Pan Am, which has sold many of its prize assets in the past decade, confirmed that it was discussing the possible disposal of its Latin American/Caribbean routes, its last substantial operating network.

It declined to be drawn on prospective purchasers, although analysts have suggested that United Airlines, the large Chicago-based carrier, would be an obvious buyer.

United made an offer last summer for these routes, which have traditionally been profitable. The Chicago-based airline declined to comment but said a statement might be forthcoming later.

Pan Am's demise had looked increasingly likely after Delta Air Lines, another of the large US carriers, refused to supply any further loan finance this week. Delta became critically involved in Pan Am's future last summer, after the two airlines negotiated a three-part deal.

Under this, Delta was to buy Pan Am's East Coast shuttle and remaining transatlantic routes, transactions which duly took place during the autumn.

It also agreed to acquire a 45 per cent stake in a "reorganised" Pan Am, which would run the Latin American service from a Miami hub, and meet certain Pan Am liabilities.

As Pan Am's financial condition worsened, Delta renegotiated elements of this deal, replacing a commitment to fund $100m of Pan Am's losses by the provision of up to $140m of temporary loan finance.

By the end of last week, Delta had provided $115m, but decided against any further

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Last call, Page 19

Fraud probe of Maxwell pension funds

By Robert Peston and Richard Gourlay in London

BRITAIN'S Serious Fraud Office has launched an investigation into how the Mirror Group Newspapers and Maxwell Communication Corporation pension schemes incurred potential losses of £400m ($710m) on loans to private companies controlled by the family of Mr Robert Maxwell.

Bankers have been told by accountants Coopers Deloitte that, in the six months before he died, Mr Maxwell stripped £600m in cash from his public companies – MCC and MGN – and their pension funds to prop up his private empire.

The bankers were bracing themselves yesterday for Maxwell private companies to be placed into administrative receivership under UK insolvency laws. Such a move could wipe out all of the Maxwell family's private fortune, estimated as recently as this spring by Forbes magazine as more than $1.9bn.

Coopers has told the banks that the pension funds have for some time been lending shares to the private companies. Until recently, Maxwell private companies provided collateral to the pension funds. The value of this collateral was typically between 125 per cent and 150 per cent of the value of the shares borrowed. But in the six

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months before he died on November 5, Mr Maxwell started to sell this collateral.

"He should have given the cash to the pension funds", a banker said. But the cash appears to have been used for other purposes, leaving the pension funds exposed.

Although the pension funds are owed £400m, they need an injection of just £150m to meet their obligations to pensioners or to become fully funded in an actuarial sense. The biggest scheme, the MGN scheme, needs £110m. Before the stock lending, there was a substantial surplus in the funds.

Mr Ian Maxwell, Mr Maxwell's son who resigned on Tuesday from the chair of MGN, yesterday quit the board of Bishopsgate Investment Management, along with the rest of its board. BIM is both trustee and manager of a large proportion of MGN's pension fund. Other directors included Mr Robert Maxwell and Mr Kevin Maxwell, another son.

Britain's opposition Labour Party and MGN pensioners yesterday called for reforms to ensure that trustees and managers of pension schemes are independent of the companies operating the schemes.

An administrative receiver will be appointed to the private companies if the Maxwell brothers become persuaded that their attempts to raise £300m from an outside investor have failed. The effective deadline is tomorrow morning, when bankers to the private companies, led by National Westminster, are due to meet. An informal agreement between the banks not to call

Continued on Page 16

Sharp downward revision in US economic growth

By Michael Prowse in Washington

PRESSURE ON the White House to find ways of stimulating the US economy before next year's presidential election increased yesterday after a sharp downward revision of economic growth in the third quarter.

Mr Marlin Fitzwater, the White House spokesman, admitted that the US economy had "real problems".

The Commerce Department said gross domestic product grew at an annual rate of only 1.7 per cent in the third quarter. Growth had previously been estimated at 2.4 per cent.

President George Bush, speaking in Washington, said he would unveil economic measures in his State of the Union address next month but, in an apparent effort to deflate expectations of tax cuts, he emphasised the need for continued fiscal restraint.

Mr Bush's popularity has been falling fast as voters have become increasingly preoccupied with the domestic economy. He has been travelling the country in an attempt to show that he shares these concerns.

The downward revision took financial markets by surprise, prompting speculation that interest rates might be lowered again if Friday's employment figures are poor.

As recently as Tuesday, Mr Michael Boskin, the chief White House economist, had indicated he expected an upward revision of growth.

Analysts noted that final sales of domestic product fell at an annual rate of 0.9 per cent in the third quarter, increasing the risk of a decline in total output in coming months.

The Federal Reserve's latest Beige Book assessment of regional economic trends, released yesterday, was also gloomy, referring to the "flagging momentum" of recovery in October and early November. Retail sales were generally sluggish while manufacturing output had levelled out in most areas.

The downward revision to growth occurred as part of one of the biggest statistical shake-ups of recent years. Belatedly moving into line with international practice, the Commerce Department has adopted gross domestic product (GDP) as its main measure of production.

Figures for gross national product (GNP) – the favoured measure for half a century – will have a subsidiary role and be published with a longer delay than the GDP numbers.

The department also switched its base year for measuring price changes from 1982 to 1987, altering the profile of the recession and reducing estimates for growth in the 1980s.

GDP measures production within the borders of the US. GNP measures the income accruing to US residents. It thus includes the overseas profits of US companies but excludes the US profits of foreign companies.

US moves goalposts, Page 6

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Formidable task ahead tempers Hurd's hopes for summit deal

'I don't think anyone will want it to fail. But it will still be a formidable task,' says Britain's foreign secretary, Douglas Hurd (left), of next week's Maastricht summit
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MARKETS

STERLING
New York lunchtime: $1.7745
London:
$1.7735 (1.7715)
DM2.8825 (2.8575)
FFr9.79 (9.765)
SFr2.535 (2.5275)
Y229.75 (229.25)
£ index 90.5 (same)

GOLD
New York Comex Feb $367.9 (366.5)
London: $363.75 (367.95)

N SEA OIL (Argus)
Brent 15-day Jan $19.375 (19.425)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.61
FFr5.5112
SFr1.4248
Y129.45
London:
DM1.614 (1.6135)
FFr5.52 (5.5125)
SFr1.429 (1.4275)
Y129.5 (129.45)
$ index 63.2 (63.1)
Tokyo close: Y129.25

US lunchtime rates
Fed Funds: 4⅝%
3-mo Treasury Bills: 4.409%
Long Bond: 101 5/8
yield: 7.879%

STOCK INDICES
FT-SE 100: 2,423.8 (+3.6)
FT-A All-Share: 1,166.58 (same)
FT-SE Eurotrack 100: 1,058.20 (+1.95)
New York lunchtime:
DJ Ind. Av. 2,915.03 (−14.53)
S&P Comp 379.06 (−1.90)
Tokyo: Nikkei 22,669.44 (+502.61)

LONDON MONEY
3-month interbank: 10 11/16% (same)
Liffe long gilt future: Dec 94 19/32 (94 7/32)

Brussels urges tough curbs on US aircraft aid

By Andrew Hill in Brussels

THE European Commission wants greater limits on US subsidies to its civil aircraft industry included in future international trade agreements following publication of a report alleging substantial government aid to US companies.

The Commission said yesterday it would use its report on US subsidies to press for the inclusion of "substantive disciplines on indirect support" to the industry.

The report alleges that over the last 15 years the US commercial aircraft manufacturers – principally Boeing and McDonnell Douglas – have received direct and indirect government aid of up to $41.5bn (£23.4bn), including cumulative interest.

Mr Mogens Peter Carl, a senior Commission trade official, said yesterday: "Never in our wildest imagination would we have expected the level of support to be as massive as this." He said the Commission might now ask the US to match EC proposals of a 35 to 50 per cent cut in direct support to the European industry.

The Americans allege the European Airbus consortium has received more than $25bn of direct government subsidies since being set up 20 years ago. They also claim, like the Europeans, that the aircraft industry received extensive support via research and development grants.

The report was prepared by the Washington legal firm of Arnold & Porter, which has acted in the past as a lobbyist for Airbus. Mr Carl stressed, however, that the US firm had been chosen specifically to "avoid the accusation of a cultural bias on our behalf".

A US consultancy, Arthur D Little, is preparing a separate report for the Commission's industry directorate on the competitiveness of the European aircraft industry.

Mr Carl said the two reports were not directly linked and he denied that the second report would reveal that European manufacturers had also received large indirect subsidies. He said indirect support for the EC aircraft industry was "minuscule".

The US has filed two complaints against the European aircraft programme with the General Agreement on Tariffs and Trade (Gatt). It objects to German government exchange rate support for Deutsche Aerospace, the German Airbus partner, and to Airbus subsidies.

The EC wants the US to resume formal negotiations over Airbus under the first stage of the Gatt dispute settlements procedure, without moving to a full Gatt panel hearing. Mr Carl said yesterday: "[This report] is intended to provide the Commission, Community and member states with a solid basis for the purposes of better evaluating and establishing our negotiating position. It's not a weapon as such, but it is very useful."

The US initiative to take the Airbus subsidies issue to the Gatt reflects growing concern by US aircraft manufacturers of the growing inroads of the European consortium in the world airline market.

No horse-trading over 'federal' says UK premier

MR JOHN MAJOR refused yesterday to bow to Dutch demands that Britain should make concessions in return for the dropping of references to "a federal goal" from the draft treaty on economic and political union to be discussed at Maastricht, writes Ralph Atkins in Dublin.

Speaking after a meeting in Dublin with Mr Charles Haughey, the Irish Taoiseach, the British prime minister said he would oppose "horse-trading of that rather blunt kind". He insisted, however, that changes would still have to be made to the draft treaties if he was to sign them next week, saying: "There will need to be movement from the situation as it has been over the last few days."

The prime minister appeared convinced that an agreement could be struck next week but was determined not to weaken Britain's negotiating position with only days to go before the Maastricht summit begins. "I have made it clear from the beginning of the negotiations that I want an agreement on Europe but I can't have any agreement," he said.

Downing Street officials said the word "federal" was ambiguous and had to be dropped. It did not mean Britain would have "a price to be paid" as claimed on Tuesday by Mr Hans van den Broek, the Dutch foreign minister.

Mr Major's talks with Mr Haughey appear aimed at forging alliances with the Irish on key parts of the Maastricht negotiations. Both countries oppose significant extension of European Community responsibility on social issues and, for different reasons, have qualms about proposals on common defence and foreign policies. Both also oppose a significant extension of the powers of the European Parliament – Ireland because of its small representation and Britain because of fears about sovereignty.

Mr Major and Mr Haughey disagreed, however, about the commitment to increase EC structural funds which Ireland wants written into a declaration accompanying the treaties and has set as its top priority at Maastricht. Mr Haughey said Ireland would be looking for "formal guarantees" on greater economic and social cohesion going beyond existing references in the treaties. Mr Major said he was prepared to study possible increases but "we need to examine what it needs, how it would work, what can be done."

● Employers in the west Midlands, heart of Britain's engineering industry, yesterday sought to harden the UK government's resistance to the EC's proposed working time directive in the wake of Tuesday's meeting of EC social affairs ministers, writes Paul Cheeseright in Birmingham.

The directive, which would limit the working week to 48 hours and specify Sunday as a day of rest, "would defeat our objectives to improve competitiveness", said Mr Cedric Thomas, chief executive of the Engineering Employers' West Midlands Association. Employers fear the directive will increase costs and reduce output. Other EC countries had different working patterns and would be less affected, he said.

Hurd treads a quiet but confident path to summit

The UK foreign secretary talks to Philip Stephens and Robert Mauthner about the prospects for agreement at Maastricht

MR DOUGLAS HURD is not given to hyperbole. As much a diplomat as a politician, the British foreign secretary shuns the colourful, often angry, rhetoric which has characterised the European debate among many Conservative party colleagues.

So, just four days from Maastricht, he was typically understated in his assessment of the prospects and perils that the summit holds for a government facing a general election within seven months at most.

For obvious tactical reasons Mr Hurd insists that Britain will, if necessary, veto an unacceptable accord at the summit. He makes the point with conviction. It is Mr John Major's only negotiating ace.

But the pervasive tone in an interview with the FT yesterday afternoon conveyed the message that Mr Hurd thinks an agreement is within striking distance. Such an outcome, he agrees, would be far preferable for the country and government to the breakdown sought by a few in his party.

After another gruelling negotiating session in Brussels earlier this week he is convinced that his counterparts share that interest.

There had been no breakthough on the six, seven, or eight large issues that heads of government would have to tackle, but: "I don't think there is anyone there who has a sort of private thought that it would be a good idea if the conference failed".

The challenge was to translate that goodwill into a resolution acceptable to 12 governments of the still significant differences which remained on foreign policy, defence, the social dimension, the powers of the European parliament, industrial strategy and the single currency.

"The actual task of moving from that generalised wish to succeed to actual agreement on the important outstanding issues, well, that is still formidable," is how Mr Hurd puts it. He will not quote odds on the outcome but, if one had to guess, it would be that he believes they are perhaps 70:30 in favour of success.

The foreign secretary is reluctant to detail too explicitly the two or three among the outstanding issues which he regards as the most intractable. "They all have to be solved. That's the truth of the matter. And they all have to be solved, so far as we are concerned, within the terms of the prime minister's speech (last month) to the House of Commons".

Mr Major's colleagues know where the lines are drawn. "I've been very struck over the past few days by the importance of this speech in the minds of those with whom we are negotiating".

Ashley Ashwood

Hurd: "I believe everyone will go to Maastricht wanting to reach agreement."

But it is obvious also that in some areas (defence and foreign policy are among them) he is more confident than in others – social policy is the most notable – that a way can be found to reconcile Britain's reserve with its partners' aspirations.

He blinks at the media excitement that followed the signal in Brussels that Britain's partners are prepared to see references to a "federal" destination removed from the political union treaty.

The word must be deleted, he agrees. Yet in a phrase which would be heresy to some of the Eurosceptics in the Conservative party, he comments: "That's just one and not the most important point that needs to be settled".

One of the most important sticking points in the negotiations has centred on the way that the Twelve should operate a common foreign policy.

"We've moved in the sense we accept joint action in foreign policy with the obligation that imposes," he says. But the counterpart must be unanimity. Britain does not believe that qualified majority voting on the implementation of policy would work. And it wants a more robust "safeguard" clause to allow a nation to act independently if circumstances changed.

On defence Britain had made a "fairly substantial move" by agreeing to the concept of a common policy. "But we have married it up with a solemn taking of vows to the Atlantic alliance and what we don't wish to see is a divorce".

"That seems to us," Mr Hurd adds, "a very dangerous slope and we don't intend to slide down it." But then the guarded optimism: "I think we will reach agreement on that but I can't be certain."

There are other difficult issues: "The industry clause is still very interventionist. We don't actually see the need for an industry clause." In other areas proposals to extend competence could turn out to be "very expensive" – R&D was one example. Britain though is ready to negotiate.

There is flexibility also over the nature of the opt-out clause from a single currency that Britain has demanded as its price for economic and monetary union. The issue, he says, will go to Maastricht. But then: "It would be better to have a general opt-out" is as tough as the foreign secretary gets.

It is when he is pressed on the extension of Community competence into social policy – employment rights, worker participation, trades unions – that the foreign secretary sounds uncharacteristically glum.

He will not be drawn on whether there is any light between the ambitions of most others to place a joint social policy at the heart of economic union and his government's determination to prevent Brussels from overturning the Thatcher revolution.

It is an area where Britain already had strong grievances about the behaviour of the Commission; it had not been much discussed by foreign ministers this week. There were talks going on now, but Mr Hurd did not want to speculate on the outcome. "We have left no-one in any doubt that this is very important and very difficult."

So what are the consequences of success and failure. The understatement again and a hint perhaps of wishful thinking in his final phrase: "It's better and in the interests of the country to get an agreement. I've no doubt about that. And we'll work hard to get one if we can. But supposing that's not attainable. It will not be attained because we've been asked to do too much.... either way we will be in a strong domestic position."

Commission foresees modest recovery over next two years

By David Gardner in Brussels

THE European economy can look forward to only a modest recovery over the next two years, the European Commission said yesterday. But completion of the single market next year, a commitment next week at the Maastricht summit to economic and monetary union (Emu), and a Uruguay Round trade deal could combine to speed up growth in 1992-93.

In its annual economic report, Brussels sees EC gross domestic product rising only 2.2 per cent next year and 2.4 per cent in 1993; the Twelve's gross domestic product is forecast to increase this year by 1.3 per cent against 2.8 per cent last year. One of the main brakes on recovery is a forecast fall in investment and consumption in Germany as the growth impulse from unification peters out.

Unemployment would continue to rise until the EC returned to the growth rates of 3 per cent or more in 1986-90, said Mr Henning Christophersen, commission vice-president. THe EC total is expected to rise from 8.6 per cent of the workforce now to 9.2 per cent in 1993; the equivalent figures for the UK project an increase from 8.4 to 10 per cent, and for Germany (without the new eastern *Länder*) from 4.6 to 5.6 per cent.

These prospects assume no change in current policies, but could improve, Mr Christopherson stressed, even from next week if the summit was a success. He suggested, for example, that long-term interest rates could start coming down once the markets saw Emu as an irreversible commitment.

After three and a half days intensive negotiation, finance ministers tentatively agreed on the Emu treaty in the early hours of yesterday morning. Left to be decided at Maastricht are the procedure for moving to a single currency, and "opt-out" clauses sought by Britain and Denmark.

If the agreement were confirmed next week, Mr Christopherson said, this "would make clear that many states would have to step up their convergence efforts" to reach the tight targets on budget deficits, inflation and interest rates required for Emu membership.

Industrial states set conditions for aid

By William Dawkins in Paris

DEVELOPING countries were yesterday told to curb arms spending and improve human rights if they wanted increased aid from the big industrialised nations.

This is the first time that the recently enlarged 21-nation Development Aid Committee (DAC) of western donors has formally laid down conditions of this kind. They were decided at the DAC's annual meeting, which ended in Paris yesterday, and follows similar moves by the International Monetary Fund and the World Bank.

"The amounts some of these countries are spending on armaments is two to three times what they are receiving in terms of development assistance," said Mr Alexander Love, DAC chairman, who cited Angola and Mozambique as examples. He stressed that the idea was to give preference to states able to curb military budgets, rather than to trim aid for those who continue high arms spending.

Only last week, World Bank members delayed for six months any new assistance for Kenya, pending progress on economic and political reforms. At the start of this week, President Daniel arap Moi said one-party rule would end in Kenya, though he denied he was responding to outside pressure.

The session also expressed concern about the slow growth in the volume of aid, from $46.7bn from all its members in 1989 to $54.07bn last year.

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Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

EUROPEAN NEWS

Bundesbank move points to interest rate rise

By Andrew Fisher in Frankfurt and Christopher Parkes in Bonn

SPECULATION increased yesterday about a rise in German interest rates later this month, with the Lombard rate possibly moving up by a quarter of a percentage point. It was prompted by the Bundesbank's action to drain funds from the money market at its regular money market operations.

Economists believe, however, that the Bundesbank council is unlikely to act at its meeting today because of the European summit on political and monetary union in Maastricht next week.

Rates have remained unchanged since mid-August, when the Bundesbank raised the discount rate by a point to 7.5 per cent and the more important Lombard emergency funding rate by a quarter point to 9.25 per cent.

The main item on the agenda at today's meeting is the money supply target for 1992. But the news that Mr Helmut Schlesinger, the Bundesbank president, would be in Bonn today to discuss with Chancellor Helmut Kohl the German position ahead of the summit raised doubts whether the target would be announced today or on December 19.

Economists expect the target for M3, the broad monetary aggregate, to be raised to a range of between 4 and 6 per cent from this year's 3-5 per cent. This allows for expected inflation and production growth.

Those forecasting an interest rate rise pointed to the high German inflation rate, around 4 per cent, and signs that wage claims would remain high.

Ms Jane Edwards, an economist with Shearson Lehman Brothers, said: "I think the Bundesbank will raise interest rates, but on December 19 rather than now." Rates at yesterday's securities and repurchase (repo) operation were up to 9.25 per cent, thus equalling the Lombard rate.

Meanwhile the Economic Ministry reported that industrial production in west Germany in October was 1 per cent lower than in September. Almost all the decline was attributable to a seasonally-adjusted 1.5 per cent dip in output from manufacturing industry, which more than wiped out the benefits of a 5.5 per cent rise in mining production and increases of 3 per cent and 2.5 per cent in construction and gas and electricity supply.

Aggregate figures for September and October, compared with the same months in 1990, showed a 0.5 per cent rise in overall production. Output from capital goods-makers rose 0.5 per cent and construction 2.9 per cent, while mining production fell 5 per cent.

Third quarter figures for west Germany's gross national product today are expected to show no change from the second quarter and a rise of only 2.4 per cent on a year-on-year basis, against strong annual rises of 4.3 per cent in the second quarter and 5.2 per cent in the first.

In Hamburg, the semi-official economics institute HWWA painted an optimistic picture of German trade in the new year. After the stagnation of recent months, exports are forecast to increase by 5 per cent in 1992 as client economies recover from recession.

This would offer some relief from the stagnation expected in demand in west Germany and the slackening of sales to the east of the country.

Slowing activity would reduce the rate of increase in imports into the west from 14 per cent this year to about 6 per cent in 1992.

Net result, the institute said, would be an increase to about DM10bn in the balance of trade surplus and a reduction to around DM30bn in the current account deficit.

Slovakia's economic reformer faces sack

By Ariane Genillard in Bratislava

ATTEMPTS to introduce radical economic reforms in Slovakia are likely to be seriously undermined today when deputies are expected to oust the republic's reform-minded privatisation minister in a vote of no-confidence.

The motion in the Slovak parliament will bring to a climax repeated efforts by Slovak politicians to marginalise supporters of the fast-track economic programme drawn up by the federal bodies, and which has been already implemented in the Czech republic.

Mr Ivan Miklos, the minister responsible for the privatisation process in Slovakia, is a noted supporter of federal economic policies. He is also a member of Public Against Violence (recently renamed Civic Democratic Union), the only party in Slovakia which is openly in favour of keeping Czechs and Slovaks together in a single state.

Mr Vaclav Havel, the president of the Czech and Slovak republic is attempting to drum up support aimed at finding a compromise between the two republics so as to keep the federation intact.

If Mr Miklos is removed from power, it will mean a victory, not only for those who want to slow down the economic reforms in the republic, but for nationalists who are calling for greater political and economic autonomy for Slovakia.

"It is no secret that there are some conservative forces in Slovakia who would much rather keep the power in their own hands," Mr Miklos said.

Mr Miklos has repeatedly warned that his growing political isolation in Slovakia is threatening his ability to implement the privatisation programme which entails the painful restructuring needed to reform bankrupt Slovak enterprises.

Moreover, government officials in Bratislava, the capital of Slovakia, who are overseeing Slovakia's state-owned industries, have resented the young minister's effort to introduce reforms.

For instance, deputies from the Christian Democrats, the other party in the government coalition, recently attempted to seize power from Mr Miklos, and pass it back to the bureaucrats and former apparatchiks in the ministries.

Strikers resist sale of Greek companies

By Kerin Hope in Athens

THERE WERE power cuts in parts of Athens yesterday as Greek electricity and telecommunications workers started a 48-hour strike in protest against a parliamentary bill permitting the partial sale of public utilities.

Staff at Olympic Airways, the state airline, and commercial banks will strike today; civil servants and industrial workers plan walk-outs next week.

The bill, which parliament is expected to approve this week, aims at speeding a slow-moving privatisation programme launched by the conservative government 18 months ago. Only 10 out of 208 companies in the programme have been sold, and the government has raised only Dr2.3bn (£7m) from privatisation, though the budget forecast revenues of Dr120bn this year.

The new legislation would allow up to 49 per cent of the electricity and telephone companies and Olympic Airways to be sold. It would also clear the way for foreign companies to sign management contracts to run state-controlled Greek corporations. Procedures for liquidating state enterprises would be streamlined, too.

Delays in shutting loss-making companies which failed to find buyers are attributed to reluctance among government-appointed managers to put themselves out of a job.

About 10,000 workers have lost jobs at state-owned enterprises because of cuts or closures under the privatisation scheme. Another 15,000 are likely to be dismissed over the next few months.

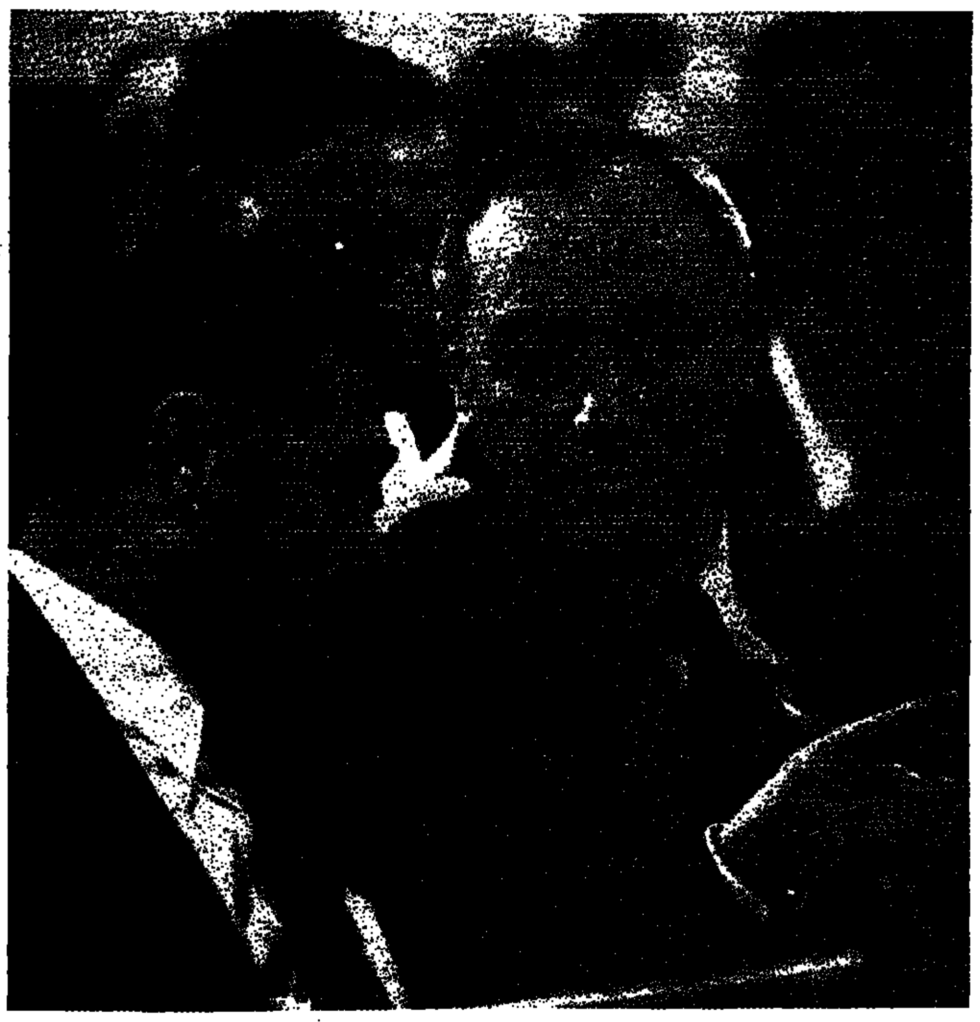
The bill also includes a clause intended to deter about 30 former owners of unprofitable companies nationalised in the 1980s from claiming them back – by making them liable for the companies' accumulated debt.

After the European Court ruled earlier this year that one such takeover was illegal, a dozen former owners have filed suits to regain control of their companies.

Democrats quit Tirana coalition

Albania's Democratic Party, the main anti-communist force, said yesterday it was pulling out of a six-month-old coalition with its political foes, accusing them of hindering reforms, AP reports from Tirana.

The move is likely to lead to early elections.



Mr Stipe Mesic (left), the former Yugoslav federal president, and Mr Franjo Gregoric, Croatia's prime minister, met in the republic's parliament yesterday during a debate on a bill granting political rights to Croatia's ethnic minorities. The bill seeks to reassure the 600,000 Serb community it will not suffer discrimination in an independent Croatia.

Yugoslavia buys back its debt at a discount

By Judy Dempsey in London, Christopher Parkes in Bonn and Laura Silber in Belgrade

DESPITE the high cost of the civil war in Croatia, Yugoslavia's central bank last week paid $65m interest to the London Club of commercial banks on time. Moreover, the National Bank of Yugoslavia (NYB) is negotiating to buy back its $4.52bn debt at a considerable discount, according to western bankers.

This emerged yesterday as Germany decided to cut transport links with Serbia on the eve of a visit by Croatia's President Franjo Tudjman to Bonn.

London banks said yesterday the NBY was buying back debt at a discount of between 22 cents and 32 cents to the dollar.

One banker said: "The central bank is now working on the basis that western commercial banks will accept these discounts simply in order to get paid some of its debts which Yugoslavia owes to them. Western banks believe the war will continue. In any case, they are not prepared to extend any new credit lines."

The moves by the central bank to buy back debt reflect the NBY's relatively high reserves of about $3.5bn, even though this represents a sharp fall from $8bn earlier this year.

However, western bankers yesterday expressed some scepticism about the genuine level of the banks' reserves.

"It is difficult to believe that they can be so high, given the cost of the war in Croatia, and purchases of oil by Serbia, which has been affected by the war," the banker added.

The NBY also owes the Paris Club of government creditors $5.5bn, and other multilateral organisations, including the International Monetary Fund, a total of $3.2bn.

Figures recently released by the NBY show that Yugoslavia, or what remains of it, has a current accounts deficit of $2.1bn. Exports have fallen by 10.7 per cent, imports by 13.9 per cent, and industrial production by 20 per cent. Workers remittances, particularly from the *Gastarbeiter* in Germany have fallen from $1.7bn to under $700m.

Meanwhile, Germany yesterday decided to close its air and road links with Serbia. The cabinet agreed to suspend its transport convention with Yugoslavia, but to introduce "special measures" to protect connections with Croatia and Slovenia.

Following a promise of financial aid and diplomatic recognition by Chancellor Helmut Kohl to President Milan Kucan of Slovenia in Bonn on Tuesday, the decision marks a further step in Germany's attempts to provide concrete assistance and further moral support to the breakaway republics. President Tudjman of Croatia, who is due in Germany today, is expected to be given similar pledges.

The decision means that JAT, the Yugoslav state airline would lose its landing rights in Germany. Mr Dieter Vogel, the Bonn government spokesman did not rule out the possibility of Lufthansa being barred from airports in Serbia. The origins of road goods vehicles would be checked at the border.

In Yugoslavia, Mr Cyrus Vance, the UN special envoy, yesterday discussed the deployment of peacekeeping troops with Mr Tudjman, and General Veljko Kadijevic, the federal defence minister.

The meetings coincided with a debate in the Croatian parliament about granting ethnic, political and cultural rights to its ethnic minorities.

The move by Croatia's parliament to guarantee broad cultural autonomy for ethnic minorities would give Serbs in Croatia control over the police, courts and government in areas where they form a majority, but it is unlikely to end the violence.

Lockerbie threat yields Libyan offer on IRA

By Tony Walker in Cairo

COLONEL Muammar Gadaffi of Libya has offered to close down Irish Republican Army training camps in his country and provide intelligence information about IRA terrorists as part of an effort to forestall western retribution for the terrorist bombing of a Pan Am jet in 1988.

Col Gadaffi's extraordinary offer was repeated yesterday to Mr Douglas Hogg, a British Foreign Office minister, by Egypt's President Hosni Mubarak who is in regular contact with the Libyan leader.

"The message was that Colonel Gadaffi was willing to give us information about the IRA and willing to stop the training camps in Libya," Mr Hogg told reporters.

"I have no doubt that Col Gadaffi is a worried man," Mr Hogg added, "and these are statements he is making because he is a worried man."

Both Britain and the US are demanding that Libya allow two of its citizens to be extradited to face trial for the bombing of Pan Am flight 103 which exploded over Lockerbie in Scotland with the loss of 270 lives, including 11 on the ground.

Mr Hogg, while acknowledging it was a "useful first step", made it clear that Libyan undertakings on the IRA would be insufficient to prevent actions planned by western governments against Libya if it refuses to comply with demands that it hand over Abdel Baset Ali and Al-Amin Khalifa Fhimah for trial.

Britain and the US have alleged the two men are employees of Libyan intelligence, and that Libya itself is responsible for state terrorism. Libya has refused to yield the two suspects, although a Egyptian newspaper reported yesterday that the two had been detained for questioning.

Mr Hogg said last night that Britain was demanding that Col Gadaffi comply with official requests to supply information about the IRA, publicly renounce terrorism, pay compensation to the victims of the Lockerbie bombing and surrender "all documents and material" relevant to the case.

Col Gadaffi, Mr Hogg said, appeared to be accepting some of Britain's demands, but this was not good enough.

"We believe that Col Gadaffi is still in the business of terrorism," he said.

The British minister noted that as recently as the middle of this year, the Libyan leader had re-stated his support for the objectives of the IRA.

Libyan support for the IRA goes back to the early 1970s, soon after Col Gadaffi came to power in a 1969 putsch.

The IRA is believed to have secured ample supplies of the lethal plastic explosive, Semtex, from Libya which had bought large quantities from Eastern Europe.

Chinese workmen installing lights on a Beijing billboard which claims that tourism will promote prosperity in the country. Next year has been designated the "Year of Tourism" by the Beijing communist leadership, attempting to shake off its hardline image

Hong Kong attacks final appeal court plans

By Angus Foster in Hong Kong

THE EARLY establishment of Hong Kong's proposed court of final appeal was cast into doubt yesterday when the colony's Legislative Council, or parliament, urged Britain and China to renegotiate the agreement on the composition of the court.

Most councillors attacked the agreement on the court, which is being set up to replace the Privy Council in London. Councillors said the court's structure, which allows for at most one of its five judges to be invited from overseas, would damage the court's independence and standards.

The vote is an embarrassment for Sir David Wilson, the governor, and his secretive policy body, the Executive Council. They approved the structure of the court early this year but apparently failed to consult local leaders and misread local opposition. Britain and China agreed the court's outline in September, following Mr John Major's visit to China.

Mr Martin Lee, an outspoken advocate for democracy, said: "Hong Kong's interests had been ignored. The British and Chinese governments are now making decisions on Hong Kong's internal matters without even consulting us."

But Sir David Ford, Hong Kong's chief secretary, said the court could not be renegotiated. The government will now draft legislation on its establishment to come before the Legislative Council next year. Councillors will have to choose whether to set up the court along unpopular lines or delay it until 1997, when China's influence will be even greater.

Indian car makers see sales fall

By K.K. Sharma in New Delhi

THREE Indian car manufacturers have complained to finance ministry officials about surplus capacity in their factories amid growing signs that the entire automobile industry is in the grip of a recession.

The three are Mr R.C. Bhargava of Maruti Udyog, which has 60 per cent of the Indian car market, Mr C.K. Birla of Hindustan Motors and Mr Vakil of Premier Motors.

They told the officials that they feared a 50 per cent drop in sales. At the same time, India's formerly thriving two-wheeler industry is also facing flagging sales. Bajaj Auto, India's largest scooter manufacturer, has been forced to cut production by 30 per cent because of growing inventories.

Truck manufacturers such as Telco and Ashok Leyland have also piled up inventories because of slack demand.

The car manufacturers are the worst affected and believe that production in 1991-92 will fall to only 130,000 cars compared with 178,000 cars in 1990-91 and 181,000 cars in 1989-90. If the present slackness in demand persists, they anticipate production to fall to a low 90,000 in 1991-92. This would be less than 40 per cent of their capacity.

Maruti Udyog, which had a waiting period of two to three months for its models, was yesterday forced to launch an advertising campaign for its vans. It has never had to advertise until now.

The fall in demand followed the July budget when the automobile industry was heavily taxed, forcing all companies to raise prices sunbstantially. This was accompanied by a rise in petrol prices which further subdued demand.

At the same time the credit squeeze hit financing schemes while government cuts in expenditure forced its departments to postpone purchases .

The automobile industry has laid off casual labour but does not rule out retrenchment if the situation lasts much longer.

How Mideast hostages lost value

Roger Matthews on why westerners used to be worth kidnapping

THE release yesterday of Mr Terry Anderson in Lebanon concludes a period of Middle East hostage-taking which was born out of the militant anti-western Shia extremism of the Iranian revolution in 1979 and then nurtured by the frustration of the regime at its failure to carry its message to the outside world.

The early days of the revolution following the overthrow of the Shah of Iran had highlighted the extraordinary international impact of taking hostages when the US embassy in Tehran was stormed, its personnel seized and the presidency of Jimmy Carter fatally undermined.

Not only had the Iranian revolution pushed the US out of Iran, the strategic key to securing Middle East oil supplies and to blocking the threat of Soviet expansionism, but it had also humiliated a president and cost him re-election.

It was a lesson ready for others to learn, most especially in Lebanon where there was already a long history of politically motivated hostage-taking. Before the outbreak of civil war in Lebanon and the two Israeli invasions of 1978 and 1982, the Shia majority was the poorest and least politically represented part of the community. But in its determination to smash the Palestinian military machine in Lebanon and rewrite the country's political structure, Israel stirred up a hornets' nest, the consequences of which it is still suffering.

The seizure of western hostages in Lebanon gave the radical Shia groups, which had grown up in the first half of the 1980s, a soapbox from which to address the world. Iran, like other countries before it, was able to use its supporters in Lebanon as a surrogate. Iran would admit influence, but deny control. The seizure of the first hostages in Beirut coincided with mounting political frustration in Tehran. The energy of the revolution had been sapped by the war with Iraq which began with the invasion launched by President Saddam Hussein in September 1980. After initial setbacks, Iran fought back successfully, but with Iraqi forces fighting from behind formidable defences the toll on the lightly armed Revolutionary Guards and young conscripts reached appalling levels.

Efforts to stir revolution elsewhere in the Middle East and overthrow the monarchies in the Gulf showed no greater signs of success. Only in southern Lebanon could Iran boast the makings of a second revolutionary Islamic republic. And only in southern Lebanon was the Shia revolution directly facing the Israeli enemy and – so the propaganda claimed – doing it more effectively than the Palestinians before them. The taking of hostages helped to publicise those claims by giving international prominence to groups such as Islamic Jihad which could never have been achieved solely within the Lebanese political context.

Syria, which claims Lebanon as an essential part of its political hinterland, had less direct influence than it would have wished. Its obsessive hatred of President Saddam Hussein meant that alone among the Arab world it backed Iran in the war with Iraq. And politically the Damascus regime had to allow its new ally access to its co-religionists in Lebanon.

Hostages thus served the purposes of several masters, from the previously politically mute Shia of southern Lebanon to the revolutionary leaders in Iran. However their full value had yet to be realised.

Covert US operations, with Colonel Oliver North at the centre of a web naïvely designed to establish links with moderates in Tehran, had the effect of promoting hostages to a more valued commodity which could be used by Iran to trade for desperately needed American weapons. It was into this morass that Mr Terry Waite, the Archbishop of Canterbury's envoy, unwittingly stumbled.

His freedom and that of the other hostages reflect the end of an extraordinary decade in Middle East politics. The threats which loomed largest in western minds 10 years ago have by no means disappeared, but their potency has been massively diminished. Iran and Iraq, the two most radical, militarily powerful and potentially affluent countries in the region have been greatly weakened. There is no oil price weapon and no threat to world supplies.

The collapse of the Soviet Union and the miscalculations of Saddam Hussein have allowed the US to exercise a greater authority over the region than the most hawkish Pentagon official could have dreamed of even five years ago.

The radicals have almost all run for cover. Col Muammar Gadaffi, the Libyan leader, may again be looking nervously skywards, President Hafez al-Assad of Syria has never been more accommodating to the wishes of the White House and western businessmen are again vying for contracts in Tehran. Those who ultimately bore most responsibility for the misery inflicted on the hostages and their families are now basking in the sharp increase in their approval rating among western governments.

The freed hostages are probably more aware than most of how much and just how little this reflects political change in the Middle East. They are again free because they have no more tactical value to governments, but the root causes which motivated their capture may not have changed one jot.

Arabs wait in vain for Israel

By Roger Matthews in Washington

THREE Arab delegations waited fruitlessly at the US State Department yesterday for Israel to attend the start of bilateral peace negotiations and then retaliated by warning they might not be available next Monday when Israel has promised to be present.

Israel refused to accept the US invitation to yesterday's meetings, saying it was angered by American attempts to dictate the pace and direction of talks and because it needed more time to prepare.

The groundwork for the Washington meetings was laid at the Middle East peace conference in Madrid in October when it was agreed substantive issues would be discussed in bilateral meetings between Israel and its Arab neighbours. Despite yesterday's manoeuvrings, US officials are confident direct negotiations will start next week.

The Syrian, Lebanese and joint Jordanian-Palestinian delegations spent less than 20 minutes in separate rooms at the State Department before being officially informed that Israel would not be present.

They later stressed their willingness to discuss peace and said they were very disappointed Israel had decided not to come. The Palestinians and Jordanians pointed out that next Monday, when Israel says it will begin negotiations, is the fourth anniversary of the Palestinian uprising.

Mrs Hanan Ashrawi, the Palestinian spokeswoman, said Monday was a "very serious day" for members of her delegation. She added: "You can draw your own conclusions about whether we will attend, but December 9 is not just an ordinary day for us."

Vietnam detainees to be freed

By Kathleen Callo of Reuter, reporting from Hanoi

VIETNAM has started to free the last of its Vietnam War detainees, apparently fulfilling a US condition for normalising ties with Washington.

According to Communist party sources, the last 100-odd prisoners held in so-called re-education camps had begun to be freed within the last month or so and all would be released within the next few months.

The victorious communists herded nearly 100,000 people with links to the vanquished US-backed government of South Vietnam into the camps at the end of the war in 1975.

Most were released in the 1980s but Washington has insisted all must be freed before it will normalise relations with Hanoi, which is hungry for foreign aid.

The US forbids all business links with Vietnam and is preventing significant international aid from reaching the country.

The sources said they did not know how many detainees had been freed.

Washington has said Hanoi must release remaining detainees and allow them to leave the country.

The London-based human rights group Amnesty International has quoted the Vietnamese government as saying that by May 1989 it was holding 128 South Vietnamese soldiers and officials.

S African Communists go against trend

The party's first legal congress is cause for soul searching, writes Patti Waldmeir


Outsider: ANC leader Nelson Mandela at a news conference in New York yesterday. He is on a week-long tour of the US

THE discredited symbols of Soviet communism – the red flag, the hammer and sickle – will today fly over a gathering in Johannesburg of one of the world's few expanding communist parties.

The South African Communist Party (SACP), which is to hold its first legal congress inside the country for more than four decades, is swimming against the tide of communism's worldwide decline. After agonising over the causes of the collapse of east European communism, SACP intellectuals had to conclude that the practice of socialism was flawed, not the theory.

Most South African blacks equate capitalism with apartheid and among the volatile populations of South Africa's black townships, and in the unions, socialism remains a potent ideology. The party – which suffers from a shortage of funds and staff, and poor organisation – has done little enough to exploit socialism's appeal. Yet over the past year, party membership has risen from nearly nothing to 25,000.

Even so, growth has been much slower than expected since the party was legalised in February last year. Many prominent members have allowed their membership to lapse, or left the SACP leadership to work full-time for its close ally, the African National Congress (ANC). The remaining leadership is divided between those who remain committed to Marxism-Leninism (or even Stalinism), and those who would move towards social democracy.

The collapse of east European parties has deprived the SACP of most of its funding and party recruitment has been slow. Party officials say this is deliberate: according to their plan, the SACP will first work for liberation through the ANC, and only later pursue socialism.

But it would be wrong to underestimate the power that socialists will wield in the new South Africa. Many SACP leaders believe the party should form a socialist front within the ANC – playing a role along the lines sought by the Militant Tendency in the UK Labour party.

The seeds of such a front are already present: of the top six officials in the ANC, none are active SACP members (though some are former members); but as many as a third of the ANC's chief policy-making body, the national executive committee, and the same percentage of the powerful national working committee, are believed to be communists.

Two of the ANC's most powerful leaders – Mr Joe Slovo and Mr Chris Hani – are SACP leaders.

The congress will debate the party's new moderate manifesto, which commits itself to communism but says candidly that "socialism is not immediately on the agenda"; supports multi-party democracy and basic liberal values; and promises that "non-exploitative private property" will be protected.

Indonesian official admits massacre

EAST Timor's governor said far more people were killed than the army claimed when Indonesian troops fired on mourners last month and most were shot down while praying, Reuter reports from Dili.

"The minimum figure now, if you take into account all the figures that have been mentioned and what I myself saw, I believe it is between 50 and 100 for sure," Mr Mario Viegas Carrascalao said yesterday.

Mr Carrascalao is the first Indonesian official publicly to refute the army version of events in the Santa Cruz cemetery on November 12. The army said 19 died when troops fired to defend themselves from a dangerous mob.

Other reports say the shooting was unprovoked and have put the death toll at up to 180. The deaths sparked an international outcry.

The governor said he had himself seen one truckload of bodies after the shooting and said the figure could be even higher. He warned he would resign unless a government commission investigating the shooting published the truth.

The European Community on Tuesday joined the growing number of countries demanding that Indonesia allow an independent investigation commission to visit the former Portuguese colony it annexed in 1976.

Mr Carrascalao said the firing went on for about two minutes and most of those shot were praying inside the cemetery.

They were attending a memorial service for a separatist killed in earlier riots between supporters and opponents of the annexation, which most countries do not recognise.

Mr Carrascalao said only a few people had been standing outside the cemetery and shouting slogans in support of the Fretilin separatist guerrillas. He accused a secret force of pro-Indonesian vigilantes for creating the situation that led to the violence.

China recovers corruption cash

China has recovered 354m yuan ($65m) in a crackdown on corruption this year, the official New China News Agency said yesterday, Reuter reports from Beijing. The authorities solved 797 cases in which senior officials were implicated and 9,800 cases involving more than 10,000 yuan each.

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OUR DEDICATION GOES FURTHER

Duke to run against Bush for presidency

By George Graham in Washington

MR David Duke, who was defeated last month in his attempt to become governor of Louisiana after a fierce and racially divided campaign, yesterday announced that he would run against President George Bush for the Republican nomination in next year's presidential election.

"I believe the country under the Bush administration is not heading in the right direction," Mr Duke said.

The Republican party has disavowed Mr Duke because of his past association with the Ku Klux Klan and with neo-Nazi groups and because of his continued advocacy of anti-black policies, but Mr Duke said he planned to run in as many Republican primaries as possible.

While few psephologists expect Mr Duke to pose a serious danger to Mr Bush's nomination, his candidacy, together with that of Mr Patrick Buchanan, the conservative commentator who is also expected to challenge Mr Bush, threatens to outflank the president on the right.

Duke: critic of Japan

Already under pressure from more mainstream Republican conservatives such as Mr Newt Gingrich, the House of Representatives minority whip, Mr Bush is expected to have to meet Mr Duke and Mr Buchanan halfway on issues such as crime, welfare and job quotas for minorities.

Democratic strategists believe this could leave the way open for a Democratic candidate to seize the political centre.

The White House yesterday attacked Mr Duke's candidacy. "We believe David Duke represents the worst of American politics, stands for bigotry, racism and other qualities that have no place in American political life," said Mr Marlin Fitzwater, the White House spokesman.

In a bid to expand his political range Mr Duke yesterday focused on trade policy, calling for the US to take a tougher line with its trading partners. "We must go to the Japanese and say: 'You no buy our rice, we no buy your cars'," he said.

Mr Duke is expected to concentrate his attention on the "Super Tuesday" primaries in southern and southwestern states such as Mississippi, Oklahoma, Texas and his home state of Louisiana on March 10.

Garcia cleared of illegal enrichment allegations

By Sally Bowen in Lima

MR Alan Garcia, Peru's former president, is unlikely to face trial on charges of illegally enriching himself, as a supreme court judge has decided there is insufficient evidence to proceed.

The ruling appears to close a 15-month investigation into allegations that Mr Garcia enriched himself over 12 years of public life, including his 1985-90 presidential term. He was initially accused of holding $50m (£28.2m) in overseas bank accounts, but this was never substantiated.

However, a lawyer representing Peru's Congress immediately appealed against the decision. A supreme court tribunal has been asked to make a definitive pronouncement.

Other charges against Mr Garcia have also dwindled. A late October Senate ruling had found "suspicions" of his complicity in a scandal involving bribes by the Bank of Credit and Commerce International to central bank officials, and in alleged irregularities over a 1986 government contract to buy 26 Mirage jet fighters from France. But the attorney general dropped these allegations for lack of evidence.

The only charge remaining concerned a $400,000 discrepancy between income and expenditure over 12 years. Mr Garcia claimed the amount he could not justify with invoices was a mere $37,000.

Mr Garcia effectively launched his campaign for the 1995 presidential election on Tuesday. He bore no hatred against his accusers, he said, waving the party's traditional white handkerchief. The last few months were hard, "but we have emerged strengthened."

Showing signs of his readiness to assume the mantle of chief opposition leader, Mr Garcia has called for a series of nationwide demonstrations by popular organisations for December 20, to protest at the policies of President Alberto Fujimori's government.

● The presidents of Ecuador and Peru have held a historic meeting to discuss a decades-old border dispute and agreed to more high-level contacts to try to solve the problem, Reuter reports from Cartagena, Colombia.

In a joint statement after a two-hour meeting on Tuesday at the resort of Cartagena, Presidents Rodrigo Borja of Ecuador and Alberto Fujimori of Peru said they had not settled the dispute but agreed to meet again by next January 15.

US moves the economic goalposts

GDP is to replace GNP as the main measure of production, writes Michael Prowse

FORECASTING the US economy is difficult at the best of times – but yesterday the Commerce Department moved the goalposts by substantially revising the past.

In one of the biggest statistical shake-ups of recent years, the US yesterday belatedly moved into line with other industrial countries by adopting gross domestic product (GDP) as its primary measure of production.

Gross national product (GNP), the preferred measure of economic activity for 50 years, will now be relegated to a subsidiary role.

Simultaneously, the department switched its base year for measuring price changes from 1982 to 1987. Such rebasing occurs every five years and is necessary to reflect changes in the structure of the economy.

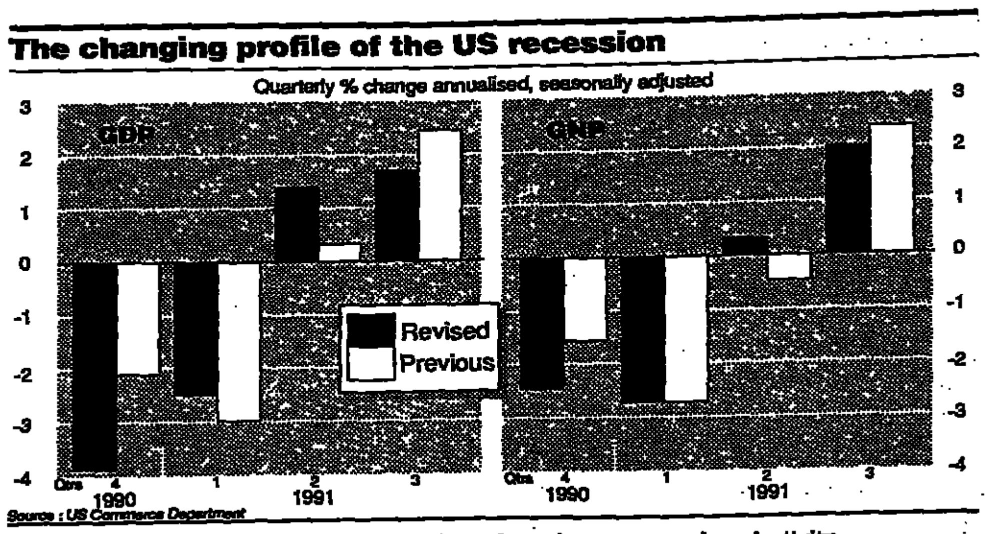
The department also revised growth figures to reflect data accumulated in the past few weeks. The net effect of the changes is substantially to alter the profile of the recession.

The new GDP figures (at constant 1987 prices) indicate:

● The recession was deeper than originally calculated. GDP fell at an annual rate of 3.9 per cent in the fourth quarter of last year. The old GNP figures (at constant 1982 prices) indicated a decline at an annual rate of only 1.6 per cent.

● The recovery began sooner. GDP grew at an annual rate of 1.4 per cent in the second quarter. The old GNP figures showed a contraction at an annual rate of 0.5 per cent.

● The economy has recently been even more sluggish than suspected. GDP grew at an annual rate of only 1.7 per cent in the third quarter. The old GNP figures showed a rise of 2.4 per cent. (Revised GNP figures indicate growth of 2 per cent in the third quarter, a less pronounced slowdown.)



GNP was about $40bn (£22.5bn) – or just under 1 per cent – larger than GDP last year, reflecting small but positive net dividend and interest income. But as the charts illustrate, the two measures of output can diverge substantially over short periods.

GDP refers to production taking place in the US. It measures goods and services produced in the US, regardless of the ownership of plant and equipment. GNP refers to the income available to US residents, regardless of where it is generated. It measures goods and services produced by labour and property supplied by US residents anywhere.

The profits of foreign-owned companies operating in the US are thus included in GDP but not in GNP. Likewise, the profits of US-owned companies overseas are included in GNP but not in GDP.

GDP is the more logical measure of economic developments within a country. Unlike GNP, it is consistent with other measures of domestic activity, including employment, industrial production, investment and productivity.

GNP figures will continue to be published, but about a month later than GDP figures for the corresponding period, reflecting the difficulty in estimating net payments of dividends and interest. The delay will ensure that financial markets focus on the GDP figures.

The rebasing of prices is a more routine change. However, it invariably results in a downward revision of past growth rates, because people buy more of goods and services that register the smallest increase in prices. When real output is estimated using the new prices, less weight is thus attached to the fastest growing parts of the economy.

The shift from 1982 to 1987 prices has reduced the relative weights attached to computers and oil because the prices of these have fallen sharply.

Using 1987 as the base period, GDP grew at an average annual rate of 2.5 per cent between 1977 and 1990, 0.2 percentage points slower than previously estimated. (For real GNP, the real growth rate was also revised down 0.2 points to 2.5 per cent.)

The revisions take the froth off the "Reagan boom" of the 1980s. During the expansion from 1982 to 1990, real GDP grew at an annual rate of 3.4 per cent, not 3.7 per cent as previously estimated. In the downturn since the third quarter of last year, real GDP fell 0.9 per cent, 0.3 points more than previously estimated.

The new figures indicate a more flattering profile for personal savings in the 1980s. The personal savings rate fell from 8.8 per cent in 1981 to 4.4 per cent in 1987. This was a substantial drop but far less alarming than the previously calculated decline from 7.5 per cent to 2.9 per cent. Since 1987, the revisions show the savings rate rising to 5.1 per cent last year against a previous estimate of 4.6 per cent.

The Commerce Department yesterday said it would also alter the way it calculates inflation in national accounts. The old GNP price index will be replaced by a "gross domestic purchases" price index. The purchases index will measure prices paid by US residents and is thus regarded as a more reliable measure of domestic inflation.

Brazilian nuclear deal row

A ROW has erupted within the Brazilian government over an alleged deal to sell nuclear energy equipment to Iran, *Christina Lamb writes from Rio de Janeiro.*

Mr João Santana, the infrastructure minister, was quoted at the weekend as saying Brazil was discussing with Iran the sale of the equipment for Angra III, one of eight nuclear power plants Brazil had hoped to build with German technology under an accord signed in 1975.

The news provoked protests and embarrassed the Foreign Ministry, which is negotiating an accord with the US to remove Brazil from the list of countries which cannot receive sensitive technology.

The ministry denies there has been any deal with Iran, which is now its main oil supplier. However, the Infrastructure Ministry confirmed this week that the matter had been discussed during Mr Santana's visit to Tehran in July. However, a spokesman said: "there is no negotiation as such – it's just an idea or conversation."

Mr Jose Luis de Santana Carvalho, president of Brazil's Nuclear Energy Commission, said Brazil was interested in selling the Angra III equipment, valued at $150m (£84.7m), because it cannot complete the project. Germany would first have to be informed of any sale.

"To sell it to Iran might be commercially interesting but it is politically impossible," he said.

New US bank reform plans

CONGRESS and the Bush administration both plan to try again next year to introduce wide-ranging banking legislation, after this year's efforts ended in a narrow bill which abandoned most of the reforms initially proposed by the administration, *George Graham writes from Washington.*

Mr Henry Gonzalez, chairman of the House banking committee, said he planned to hold hearings next year to investigate the costs and benefits of allowing banks to open branches outside their home states – a measure dropped from last month's banking bill – and to discuss the repeal of the Glass-Steagall Act. Since 1933 the act has barred commercial banks from the securities business.

Meanwhile, Mr Michael Boskin, chairman of the president's council of economic advisers, said the administration would make another attempt to pass important banking reforms rejected by Congress last month.

Mr Gonzalez, however, criticised the administration for its bungled attempt to force through reforms by tying them to the urgent refinancing of the bank deposit insurance fund.

He complained that the Treasury had never produced any proof to back its claims that allowing banks to set up branches across state lines, to expand into the securities business and to open their capital to commercial companies would make the banking industry more profitable.

Dunkel to quit as US, EC seek end of farm deadlock

By **William Dullforce** in Geneva and **David Gardner** in Brussels

GATT'S TWO top officials announced their departure yesterday, as the EC and US stepped up efforts to break the farm subsidy deadlock and stop the final collapse of the Uruguay Round talks.

Mr Arthur Dunkel, director-general, told Gatt's annual meeting he would not seek re-election when his mandate expires at the end of 1992. He suggested his successor could be appointed well before his contract expired, in which case he would be ready to hand over earlier. Mr Charles Carlisle, deputy director-general, said he was resigning from the end of February.

Trade diplomats saw the news as signalling the Gatt leadership's view that the five-year trade talks must be wound up within weeks, and not be suspended until after the US presidential election.

Mr Dunkel said that by reaffirming an earlier decision, he had put himself in a position to act without constraints to end the Round successfully. Mr Carlisle said he had wanted for some time to resign for personal reasons but the choice of the February date was not coincidental. "In my judgment, that is the very latest at which the whole negotiation can be wrapped up successfully."

Mr Richard Crowder, US agriculture under-secretary, flew into The Hague yesterday to join the last-chance effort to narrow the gap between the EC and US positions on farm reform which President Bush and Mr Ruud Lubbers, Dutch prime minister and current EC president, have told senior negotiators to do.

At a Tuesday night dinner, at which the presidents' troubleshooters, Mr Robert Zoellick, under-secretary for economic affairs in the State Department, and Mr Pascal Lamy, chief aide to Mr Jacques Delors, EC Commission president, were present, EC officials spoke of a "gleam of hope".

At least six serious differences separate the two big trading powers on how to cut aid to farmers in three areas: export subsidies, domestic supports and border protection.

EC officials have hinted that a compromise on the base period from which reductions would be calculated could be reached by taking the average subsidy levels between 1986 and 1990.

A "trade-off" was suggested under which the EC would be allowed to freeze imports of corn gluten and other animal feedstuffs at the average annual flow of the past few years. In return, the EC would accept an export subsidy formula mixing cuts in budgetary allocations with those in tonnages of subsidised products on the world market, on which the US is insisting.

But officials were cautious about forecasting success. "The chances are still no better than 50-50," one said. As well as Mr Crowder, Mr Frans Andriessen, EC trade commissioner, and Mr Ray MacSharry, farm commissioner, joined the Hague talks yesterday. Mr MacSharry and Mr Edward Madigan, US agriculture secretary, have spoken several times by phone in the past few days and were understood to be planning face-to-face talks, probably for the weekend.

In Geneva today, negotiators resume efforts to produce texts of agreements in all areas in the Round before December 20. Mr Dunkel has called a meeting of negotiators from the eight principal farm-exporting countries for this afternoon, but the EC and US are unlikely to attend. Ministers from the Cairns group of 14 farm-exporting countries led by Australia, the third protagonist in the farm talks, are due to meet in Geneva on Monday.

European industrialists said they could no longer accept that the farm dossier keep delaying progress in other areas of the Round essential for industry. National presidents of the union of European industrialists and employers had met Mr Lubbers, urging him not to accept unbalanced agreement in the trade talks for the sake of a result. Results to date in market access, Gatt rules, services and intellectual property did not meet the expectations of business, they added.

Environment rules set stage for Gatt conflicts

Resolving the clash could be the most important trade issue of the 1990s, **Nancy Dunne** writes

TEEPAK, an Illinois food packaging manufacturer, says it pays dearly for its environmentalist principles.

The company has spent millions of dollars on air scrubbers, ventilation systems, asbestos abatement, worker health and safety controls, and research and development into new pollution control and recovery technology. Now it wants the government to help ensure that its convictions, and tough US environmental standards, no longer work to the advantage of foreign competitors.

Testifying on Capitol Hill last month, Mr James Hermesdorf, company president, pushed for passage of the International Pollution Deterrence Act, allowing imposition of countervailing duties on imports from countries which do not impose strict environmental rules.

"Having to compete in the US in a totally 'free market' atmosphere with companies/countries which have yet to develop such standards is inherently unfair," Mr Hermesdorf said. "It puts us into a game where the unevenness of the rules almost assures we cannot win or even hold our own."

The legislation, sponsored by Senator David Boren, an Oklahoma Democrat, shows the clash between rules governing international trade and national regulations to preserve disappearing species and resources, and clean up air and water. A recent Gatt ruling against the US for its ban on Mexican tuna caught with driftnets, which is designed to protect dolphins, is another such case.

The Boren Bill would use the proceeds of the countervailing duties to finance transfer or sale of pollution and control equipment to developing countries, and create a fund to help US companies develop new environmental technologies.

The legislation has been praised in the US as an innovative approach for dealing with environmental issues; it is seen as more constructive than some of the outright bans, quotas and other trade curbing efforts which have been devised. But it could be illegal under current Gatt rules.

Resolving the conflict between trade and environment is likely to be the most important trade issue of the 1990s, says Mr Michael Smith, former deputy US trade representative. "Environmental concern cuts across political parties in our country and the rest of the industrialised world. With the collapse of communism, it provides an agenda around which people around the world can unify."

The US government is being urged to help ensure that tough environmental standards no longer work to the advantage of foreign competitors

But the issues are fraught with complications. Trade laws are "documented and articulated". Environmental laws are less precise and often are based largely on conjecture. "Marrying precision and imprecision will give rise to inevitable conflict," Mr Smith says.

The rise of the "Greens" as a force in the global trading community is met with cynicism and concern in many developing countries. There, officials worry that trade embargoes will be imposed on trumped-up grounds of health, safety or environment. Why, it is asked, do industrialised countries expect more of us now than they did for themselves at similar stages of development?

Baucus: call for 'Green Round'

A multilateral solution could be years away. The Uruguay Round trade talks in Geneva cannot handle the extra complexities of trade and environment. Yet the round, if successful, will spawn new industrialisation which may intensify environmental degradation unless Gatt comes to grips with the peril.

Another danger exists, Mr Smith warned: That right and left "fringe elements" will gain control of the debate, to the hurt of trading and environmental interests. On the right are groups which decry claims by mainstream scientists of environmental damage. To the left are those such as Mr Ralph Nader's Public Citizen, which recently held a seminar entitled "Everything You Wanted to Know About Gatt But Were Afraid to Ask".

Public Citizen views Gatt as a conspiracy where "unelected, unknown international bureaucrats, heavily lobbied by big business, establish world health, safety and environmental policy". Decisions are made and disputes settled in secret without the input of non-governmental organisations. "A nation's sovereignty to set and enforce health, safety and environmental laws is compromised; environmental protection and consumer preference are categorised as barriers to trade and face elimination."

Senator Max Baucus, Senate trade sub-committee chairman, has urged Gatt members to agree to the immediate convening of a "Green Round" once the current talks are ended.

He suggests the creation of a Gatt Environmental Code modelled on the current Subsidies Code, where each nation could set its own standards. It would ban or restrict imports of goods produced in ways that violate internationally recognised norms, and allow the imposition of trade sanctions to enforce environmental accords.

Countervailing duties could be levied if the products or processes producing them fail to meet the importing nation's environmental standards. But the standards must be based on scientific findings and applied equally to domestic products. The duties should offset any economic advantage gained by making the product under less stringent environmental protection rules.

The countervailing duties proposal alone sets the stage for confrontations. How will "scientific findings" be defined? How can nations, which have difficulty proving competitive advantages gained through subsidies, show the indirect impact of environmental expenses not incurred?

This and other conflicts must somehow be resolved, Senator Baucus said. "We cannot allow Gatt to become a shield for nations that shun internationally recognised norms for environmental protection. Gatt must recognise environmental protection as a legitimate objective of trade policy."

Japan resists US research call

By **Robert Thomson** in Tokyo

JAPAN yesterday resisted US requests for help in an $8.25bn (£4.6bn) basic research project for a particle accelerator – the superconducting super collider – which has become a source of trade friction between the two countries.

Mr James Watkins, US energy secretary, said Washington wanted Japan's "commitment" to the Texas-based project, and pledged President George Bush would raise the issue in Tokyo in January. But Mr Tsutomu Hata, Japan's finance minister, resisted the US demands for a contribution of $1.25bn to the project, which involves building a 54-mile tunnel using superconducting magnets to generate particle collisions and, ideally, provide basic information on matter and energy.

Japan has been criticised for making a minor contribution to basic research, while applying commercially the successes of other countries' research programmes. But Mr Hata indicated that instead of contributing to the US project, Japanese money could be used to develop domestic research facilities.

Mr Watkins said Japan's involvement would be to bolster their "global partnership in science", and warned that planning for the project had reached a "critical point"; an immediate Japanese commitment would be extremely helpful, while a rejection would be a "tragic" missed opportunity for Tokyo.

Washington has spent about $730m on the project. However, Congress has held federal expenditures down to two-thirds of the project's cost, and the state of Texas has contributed $1bn. US officials have hoped Japan would make up the rest and Washington had initially wanted money only, but now proposes Japan build one of the two superconducting magnetic rings. US officials have talked with Canada, South Korea and India about the project, but are now concentrating on convincing Japan to take part.

Mr Watkins said such participation would be evidence that Japan is assuming "its rightful role as a world leader in basic science as well as applied technology". He suggested one way of countering protectionist sentiment in the US was to "reaffirm and expand traditional US-Japan co-operation in science". But to many Japanese officials, the US demands appear to be another attempt to win funds by using the threat of "protectionist sentiment" in Congress.

Controversy surfaces over computer bid by Toshiba

By **Robert Thomson**

CONTROVERSY over Japanese public contract bidding procedures surfaced again yesterday. The controversy arose following news that Toshiba, the electronics company, had lodged a bid of about Y77,250 (£335) to win a contract for a feasibility study for a computer system.

The US has demanded that bidding procedures be made more transparent, while Japan's Ministry of International Trade and Industry (Miti) expressed concern two years ago when it was revealed that Fujitsu, the computer company, had bid Y1 for a design contract.

Toshiba said yesterday that the bid was reasonable because it represented only the first stage of a three-stage project, although the three other competitors apparently bid between Y1m and Y2.8m for the contract to design a computer system for a waterworks project for the city of Kawasaki, near Tokyo.

A Kawasaki waterworks official said no minimum limit was set for bids, and the Toshiba offer was considered fair. Toshiba also said it was able to bid low because of past experience on similar projects.

Past criticism of low bids for computer projects has focused on alleged attempts by the bidding company to tie up later equipment supply contracts by ensuring that it wins the design stage contract. Miti had issued a directive to all companies that they must bid "fairly" for contracts, and that foreign suppliers must be given a reasonable chance to compete.

Chile may cut tariff ceiling

CHILE'S finance minister, Mr Alejandro Foxley, has offered to cut Chile's import tariff ceiling from 35 to 25 per cent ahead of meetings with US trade officials in Washington next week, Leslie Crawford reports from Santiago.

Chile's offer meant it was the first country to accept Gatt's recommendation to slice 30 per cent off import duties, Mr Foxley said. He hoped others would follow suit "to ensure the success of the Uruguay Round of trade talks".

Chile applies a uniform 11 per cent import tariff, except where it suspects dumping, when the ceiling is invoked. Chile was willing to subscribe to Gatt's anti-dumping code, Mr Foxley added.

Next Monday, Mr Foxley is due to meet Ms Carla Hills, US trade representative, to discuss prospects for a US-Chile free trade agreement.

British Labour party persuades international group to drop plans for common identity of military forces

European socialists dilute defence plan

By David Gardner in Brussels

BRITAIN'S opposition Labour Party yesterday persuaded its EC socialist colleagues to dilute their formal commitment to a European defence identity, only a day after EC foreign ministers reached a large measure of agreement on a future common defence policy.

The concession Labour won appeared designed to demonstrate a firm line on defence to the UK electorate, by showing that the party is even more concerned to preserve Europe's existing defence arrangements than the government.

Mr Neil Kinnock, Labour's leader, told a meeting of the Confederation of Socialist Parties that he believed Europe's security was best served by the North Atlantic Treaty Organisation (Nato), and that he did not want to see the European Community evolve a defence role.

"We do not want to see the development of the EC into a Community with a defence identity and role," he told a pre-Maastricht meeting of 14 EC socialist parties.

He argued for the primacy of Nato, because "conditions are too volatile and changes too new to move further than we are agreeing now."

The parties agreed that the Western European Union (WEU), the defence grouping to which nine Nato members of the EC belong, should be "a means of strengthening the European pillar of the Alliance."

But, in a wording taken straight from the communiqué of last month's Nato summit in Rome, they stressed the "different nature" of the WEU's relation to Nato and to the future European political union.

However, in the agreement tentatively reached by foreign ministers here on Tuesday, the WEU would become the defence arm of the the European Council (of EC heads of government); the Council would work "in accord with" it, in a way which was "compatible with" Nato policy.

Mr Douglas Hurd, the UK foreign secretary, said this "preserves our main concerns" about the WEU becoming beholden to the EC and thereby weakening Nato.

Tuesday's formula tilts towards the French position on common defence, away from Britain's, and yet Mr Pierre Mauroy, leader of France's ruling Socialist party, assented to yesterday's fudge.

Mr George Robertson, Labour's spokesman on Europe, remarked tartly that it was "easy to get compromises when you are seen to be negotiating in good faith."

Labour's sister partners, similarly made no attempt to get "federal," or qualified majority voting on foreign policy, into the outline of political union they urged on the Maastricht summit yesterday.

With Labour's support, they did however call for majority voting in social and environmental policy, and much greater powers for the European parliament.

The Dutch presidency of the EC made clear on Tuesday that Britain would have to "pay a price" through concessions in these areas in exchange for the now all but certain dropping of the "F-word" from the treaty.

● Mr Gordon Brown, Labour's trade and industry spokesman, began the Labour Party's attempt to wrest the domestic political initiative from the Conservatives. Speaking in Birmingham, he criticised the government for its "complacent, do-nothing" attitude towards the loss of jobs in industry, argued that a healthy economy needed at its base a healthy manufacturing industry and called for "a new manufacturing partnership". Mr Brown's remarks were the opening salvos in a political campaign which will reach a high point next January when the opposition party plans to unveil new economic policy initiatives.

Britain's pulse misses the Thatcher beat

Philip Stephens finds visiting journalists in pursuit of the 'Big Idea' in UK politics

IT is the time of year when foreign journalists descend on Westminster to take the nation's political pulse. A European Community summit is on the horizon and they are charged with the task of explaining once again the "British problem" to incurious audiences in Paris and Rome, Brussels and Bonn.

There is a format now to such visits. The correspondents arrive bewildered (the more so since Mrs Thatcher has gone) at how the "great debate" over Europe can so absorb Britain's political elite. They listen patiently while MPs and commentators explain the history, the cultural clashes, the constitutional niceties and the sheer romanticism which separate Britain still from the European mainland. They record their interviews, write their articles and depart bemused.

This time though there has been another line of questioning, related only tangentially to Maastricht. The visitors are interested in what one termed Britain's political "project".

They found it easy with Mrs Thatcher. She privatised things, cut taxes, relished battles, hated state intervention and wanted to make Britain great again. She faced someone called Mr Neil Kinnock who was struggling to dump his party's unpopular socialist past but who seemed destined always to lose elections.

Overseas observers find John Major seemingly intent on dumping Thatcherism while Neil Kinnock apparently will embrace anything with a European label. But neither has a project for the 1990s that is easily explained to European audiences.

Now these overseas observers find Mr John Major seemingly intent on dumping Thatcherism. Mr Kinnock, they are told, could actually win. Mr Major might not sign at Maastricht but he will be nice about it. Mr Kinnock apparently will embrace anything with a European label.

Yet neither, they complain, has an outlook, a project, for the 1990s that is readily susceptible to explanation on Danish television or French radio. It is an observation that carries the sharpness that comes with unfamiliarity.

As the clock ticks away and the opinion polls point to stalemate there is a deep unease at the prospect of fighting a general election without definition.

Mr Major and Mr Kinnock have plenty of policies. Both have yet to discover the "big idea" with which to cement together the fragments.

Mr Chris Patten made a stab at it for the Conservatives in a lengthy BBC television interview last weekend. The wrath of his party's right wing forced him to abandon the imagery of a German-style social market. So he spoke of adding a "public sector ethos" to the spirit of private enterprise re-awakened during the 1980s.

To administration insiders it is a fair description of the way in which Mr Major runs his government. He is happy to spend taxpayers' money (witness the angst of the Treasury establishment), he likes new ideas (hence the Citizens Charter) and has encouraged departments across Whitehall to disinter wheezes long ago buried by Mrs Thatcher.

The style is political and technocratic. Everything is weighed carefully against its impact at Westminster and in the country. What is missing is an over-arching strategy into which decisions must fit.

There is no shortage of clever schemes in Labour's locker. Some of them – like constitutional reform – have potential consequences stretching far beyond their intended aims. Some – like the industrial and training policies – are there to underpin Labour's claim to European modernism. Others are simply items on a wish list for a second term.

But scratch beneath the surface of the glossy policy documents and it is clear that the Labour leadership has only two real ambitions.

The first and overriding is to prove itself competent. The second is to prove that his would be a more decent government than Mr Major's – hence the, deliberately modest, redistribution of wealth implied by higher taxes on the better off and more spending on pensions and child benefit.

Foreign journalists – and British voters – will have to come to terms with politics without a project.

BRITAIN IN BRIEF

House prices may fall 3% over the year

UK house prices are expected to fall for the first time in a calendar year since 1983, Halifax, the country's biggest home loans and savings institution, has said. The Halifax said, by the end of this month, prices on average were likely to be between 2.5 per cent and 3 per cent lower than a year ago. Prices last month fell on average by 0.8 per cent compared with the previous month, and were 2.4 per cent lower than November last year. The further decline illustrates the depth of the recession in the housing market which has still to recover despite sharp falls in interest rates. Background, Page 17

London fares to rise 7.5%

Fares on London's buses and underground will rise in real terms in the future, London Regional Transport has hinted. London fares are to rise by an average of 7.5 per cent next month, but the company said in a statement there was "a strong case for somewhat higher fares than today".

Flexible hours for families

Ernst & Young, chartered accountants and management consultants, has introduced a "family policy" of flexible working hours, part-time working and enhanced maternity benefits for its partners and 7,500 UK employees.

It says it is the first large professional firm to introduce such a package. The aim is to retain able female employees and increase the number of women senior managers and partners, the company said.

Public may gain from dispute

Union leaders at the Inland Revenue said thousands of people could receive early tax repayments after members voted for industrial action over a pay dispute. The union is instructing its members to work "to charter", a reference to the government Citizen's Charter and its exhortation to public servants to provide a better service to the public.

Le Pen avoids demonstrators

Mr Jean-Marie Le Pen, leader of France's extreme right-wing Front National party, (pictured above) failed to provoke widespread protests when he arrived in London. He avoided anti-fascist demonstrators, who arrived after he had started talks on east European politics inside the Sheraton Park Tower Hotel. Mr Le Pen, elected to the European parliament in 1984, was in London for a meeting of the European Rights Group, a small association of extreme right-wing members of the European Parliament which he set up.

£25m boost for technology

The government has launched a £25m, 12-month initiative to boost technology teaching in schools. At least 75 schools will receive about £250,000 each in 1992-93 on the basis of their "strong commitment" to technical education.

Peugeot Talbot to cut breaks

Peugeot Talbot, the UK subsidiary of Peugeot, the French car maker, has told workers it is to increase speeds on production lines and cut breaks to enable it to compete more effectively with competitors. The move, affecting about 2,700 of its 4,000 employees, is the latest in working practice changes introduced by car manufacturers as they prepare for the increased competition from Japanese companies with bases in the UK.

MPs told of Japan order

Executives at Sheffield Forgemasters, the company which won the contract to manufacture giant steel tubes intended for Iraq's supergun programme, claimed the affair had attracted investment from Japan. Mr Philip Wright, the Forgemasters chief executive, told a committee of MPs: "A very major Japanese company came to us and bought from us entirely because of what happened here." The company's involvement in the supergun affair was exposed in April 1990 when steel tubing was seized by customs officers before it was exported to Iraq. Sheffield Forgemasters denies it knew the intended purpose of the tubing.

Store attacks Sunday trade

C&A, the clothing business, has launched a campaign costing more than £100,000 explaining why it will not trade on Sundays. "We firmly believe that the law must be respected," the company says. "Laws exist to protect customers, employees and retailers alike and we do not accept that we have the right to pick and choose which laws to obey and which to ignore."

Therm meets its kilowatt hour

The therm, the imperial measurement of gas volume, is to be replaced by the kilowatt hour after 31 December 1999, under an EC ruling approved by parliament. British Gas, the UK supplier and distributor, intends to replace the therm by next Spring.

LEGAL NOTICES

COLWYN STATION LIMITED
In Receivership
BOURNE LINCS LIMITED
In Receivership
LICHFIELD WOOL LIMITED
In Receivership
GREAT YARMOUTH WOOL LIMITED
In Receivership
WORKINGTON WOOL LIMITED
In Receivership
NEWQUAY WOOL LIMITED
In Receivership
HAVERFORDWEST WOOL LIMITED
In Receivership

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that meetings of the unsecured creditors of the above named companies will be held at The Hotel Metropole, King Street, Leeds on 20th December 1991, at 3:30 pm for the purpose of having laid before them a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meetings may, if thought fit, establish a committee to exercise the functions conferred on creditors committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to the address shown below, no later than 1200 hours on 19th December 1991, written details of the debts they claim to be due to them from one or more of the above companies, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Act 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

M.J. Moore and D.J. Waterhouse,
Joint Administrative Receivers,
Coopers & Lybrand Deloitte,
5 Albion Place, Leeds LS1 6JP.

Dated: 3rd December, 1991.

Notice of Appointment of Administrative Receiver
PRS CONSULTING INTERNATIONAL LIMITED

Registered Number: 2612141

Former Company Name: DE Facto 197 Limited
Trading Name: PRS Consulting International Limited
Nature of Business: Consultants to the Automotive Industry
Trade Classification: 46
Date of Appointment of Administrative Receivers: 28th November, 1991.
Name of Person Appointing the Administrative Receivers: Mr. H.R. Shupak, Shupak, Blank & Landys, Mr. J Challis, H. W. Fisher & Co.
Joint Administrative Receivers: William Morys Roberts and Margaret Elizabeth Mills (Office Holder Nc . 2505 and 5316), Becket House, 1 Lambeth Palace Road, London SE1 7EU.

THE INSOLVENCY ACT 1986
LEXINGTON SECURITIES LIMITED
LEXINGTON INVESTMENTS LIMITED
LEXINGTON PROPERTIES LIMITED
(All In Receivership)

NOTICE IS HEREBY GIVEN pursuant to Section 48 of the Insolvency Act 1986, that a Meeting of the Creditors of the above companies will be held at Grant Thornton, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP, at 10.00 a.m. on Thursday, 19 December, 1991.

In order for creditors to be able to vote, details of your claim must be lodged at the above address not later than 12 noon on Wednesday, 18 December 1991. In addition, a form of proxy must also be lodged prior to the meeting.

Dated: 2 December 1991.
S. [illegible], Joint Administrative Receiver.

IN THE MATTER OF
AGIL PROCUREMENT SERVICES LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S. Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, was appointed Liquidator of the above Company by the Creditors on 29th November 1991.
Dated this 29th November 1991
Peter S. Dunn FCA, Liquidator
Latham Crossley & Davis
45 Conduit Street, London W1R 9FB

CLUBS

RIDDELTON LIMITED
HK$1,000,000,000
Floating Rate Bonds due 2000
Guaranteed by
[illegible]

Notice is hereby given that for the interest period 1 December, 1991 to 31 May, 1992 [illegible] the interest rate has been fixed at 7.25% per annum. Interest payable on 1 June, 1992 will amount to HKD[illegible] per HKD1,000,000 [illegible].

[illegible] Limited
Agent Bank

NORTHERN IRELAND

Political leaders agree to meet

By Ralph Atkins in Dublin

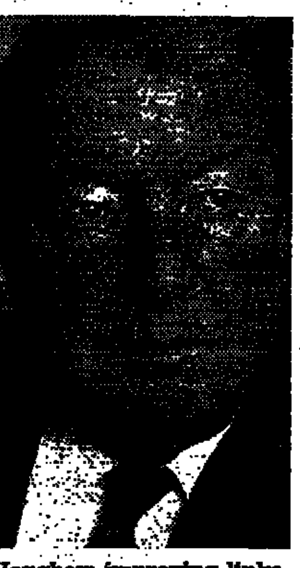
THE British and Irish prime minister are to meet every six months in an apparent attempt to increase pressure on Northern Ireland's political leaders to re-start round table talks on the future of the province.

Mr John Major and Mr Charles Haughey, the Irish Taoiseach, agreed yesterday that meetings will alternate between London and Dublin. They were speaking after the first formal Anglo-Irish summit in Dublin since 1980.

Their decision is aimed at improving the often fraught relations between the two countries and at sending a signal of defiance to terrorists. The leaders also hope it will persuade Unionist and nationalist leaders to resume a dialogue following the collapse of "round-table" talks in July.

"We need to set an example in this respect. We need to show everyone that democracy is strengthened and not weakened by dialogue," said Mr Major.

Both leaders urged the early resumption of political talks but their success will depend critically on the reaction of Unionist leaders who have called for a complete re-working of the ground rules for talks.



Haughey: improving links

In particular, the Unionists object to the continuance of the 1985 Anglo-Irish Agreement, which gives Dublin a say in the affairs of Northern Ireland. But yesterday's decision is likely to strengthen, rather than weaken, the countries commitment to the pact.

The six monthly meetings of the two prime ministers will not officially take place under the auspices of the 1985 Agreement – but it is possible that the same civil servants may serve both.

Mr Major did not specifically mention the Unionist leaders in his comments but said, "a proper dialogue...is the credible and rational way to proceed". He said it would be "time wasting" if talks were deferred until after the general election, as favoured by some Unionists.

Mr Haughey said the 1985 Agreement should be built upon, proposing that more ministers should be brought into the regular inter-governmental conference meetings to discuss subjects such as trade, agriculture and tourism.

Since July Mr Peter Brooke, Northern Ireland secretary, has been holding low-profile meetings with Mr James Molyneaux and Dr Ian Paisley, the two unionist leaders, and Mr John Hume, leader of the nationalist Social Democratic and Labour Party. But he has so far failed to reach an semblance of an agreement to resume talks.

The prime ministerial meetings will discuss a range of matters of mutual interest as well as Northern Ireland. Britain and Ireland have clashed in the past over cross-border security and extradition of terrorist suspects.

● Mr Ken Maginnis, the Ulster Unionist party's security spokesman, said he hoped the increased contact would mean clarification of how Dublin proposed to deal with the articles in the Republic's constitution claiming territorial rights over Northern Ireland. "If matters are to be dealt with at prime ministerial level, then obviously there will be greater scrutiny of the Republic's contribution to the problems which impede a resolution within Northern Ireland," he said.

Road repair backlog hits motorways

MUCH of the UK's main road network will be closed over the next five years to deal with a mounting backlog of repairs, the House of Commons public accounts committee said yesterday in a report critical of the management of the country's road maintenance, writes John Willman.

It expressed concern that about a third of motorway lanes would have to be closed at some time before 1998 in order to catch up on the backlog of maintenance work.

The Department of Transport was accused of having consistently underestimated the need for repairs as economic growth had increased traffic flows and loading faster than expected.

The report said delays caused by roadworks had become "an integral and unwelcome feature of the road network". The DoT said it "broadly agreed" with the report's recommendations.

British Rail faces abolition if Tories win next election

By Richard Tomkins, Transport Correspondent

A GOVERNMENT policy document to be published next month will pave the way for the run-down and possible abolition of British Rail (BR), the state-run network, within the five-year lifespan of the next parliament.

If the Conservatives win the next election, early privatisation will rapidly diminish BR's role as a train operator. Its operations will be sold or franchised out to the private sector, leaving it with little or nothing to do.

Up till now it had seemed likely that the difficulties of achieving a full privatisation would leave most or all of the corporation as a thriving public sector body into the indefinite future.

It has now become clear that ministers are determined to see all of BR's train services, including the loss-making ones, in the hands of the private sector on a much shorter timescale than had been previously envisaged.

The likely speed of BR's demise will delight backbenchers and users infuriated at the corporation's perceived inability to deliver passenger services of an acceptable quality.

But it will be a devastating blow to BR itself and to its chairman Sir Bob Reid, who has served barely a year of his five-year contract.

Sir Bob has argued strongly in private that if BR is to be privatised at all, it should be sold as a single unit. Instead, it is to be done on a piecemeal basis, leaving him presiding over a diminishing empire.

InterCity, which makes modest profits, will be sold outright to the private sector complete with tracks and trains. Railfreight, which does not own many tracks, will also go through an outright sale.

More complicated arrangements will be required for Network SouthEast and Regional Railways, the two subsidised sectors. Ownership of their tracks will be retained by the state, but the operation of the trains will be franchised out to whichever operator offers the highest bid or requires the lowest subsidy.

The policy document setting out the government's rail privatisation plans was originally due to have been published by the end of the year, but has been postponed into the new year by the distractions of the Maastricht summit.

As well as paving the way for the privatisation of BR's services, it will incorporate proposals for the deregulation of the railways so that any qualified train operator will have the right of access to Britain's railway tracks.

Analysis, Page 14

All change: the new-look Liverpool Street station, part of London's Broadgate complex

Broadgate escapes worst of recession

BROADGATE, the largest office development in the City of London, is opened officially today writes Vanessa Houlder. The £2bn office development by property companies Rosehaugh and Stanhope, in partnership with the British Rail Property Board, appears to have escaped the worst effects of the recession in the commercial property market, selling and letting many of the buildings in the 30 acre complex.

The developers expect Broadgate, which has a rental income of £100m, to become self-financing next year.

The recession, however, has been blamed by industry analysts for a drop in property values at the site. Values dropped 8 per cent in the year to June, and could continue to fall.

The City's concern is reflected in the sharp decline in the share prices of the developers. Stanhope has lost more than two-thirds of its market value this year, while Rosehaugh's market value is just a tenth of this year's high. Stanhope recently announced losses of £77m before tax for the year to end-June. When its partner Rosehaugh publishes its much-delayed results tomorrow, they may be considerably worse. The development of 14 buildings began in 1985 and now has 20,000 people working there, or one in 10 of City workers.

SURVEY

UK schools outclassed by Europe and Japan

By Andrew Adonis

BRITAIN'S schools perform badly at the pre-16 level by international comparision, and its vocational training is also comparatively poor, according to a report by the Council for Industry and Higher Education published yesterday.

Two-thirds of British workers lack vocational qualifications, compared to a quarter in Germany and one-third in Holland, according to the report, by Professor Alan Smithers and Dr Pamela Robinson of Manchester University's School of Education.

"There is no effective mainstream post-16 education for most of the school population," it claims, blaming poor school performance partly on the lack of adequate vocational training for school-leavers.

Surveying the science achievement of 14-year-olds in 23 countries - including Japan, Sweden and Korea - the report puts England in the bottom four, along with Singapore, Hong Kong and the United States. Hungary and Japan are rated highest.

The survey shows the performance of 18-year-olds to be comparatively good, but fewer than 20 per cent of the age-range are still in full-time education by that stage.

The report shows that the expansion of numbers in British higher education in the last decade has predominantly benefited the upper middle classes. Children from professional and managerial families are four times as likely to apply to university than those from working class backgrounds, says the report.

Although applications have risen from both groups in the past decade, that 4:1 ratio has been maintained. Almost 70 per cent of university entrants now come from professional or managerial families, up from 62 per cent in 1977.

The poor A-level performance of comprehensive schools is identified as a prime cause of the discrepancy. A-levels – the main post-16 exam sat by pupils in England and Wales – are the standard university entrance qualification.

MANAGEMENT: Marketing and Advertising

Supporting role for television sponsors

Gary Mead examines moves to tap a larger audience

Last Monday, the 13m viewers of Thames Television's travel programme "Wish You Were Here . . . ?" could have spotted a subtle change to the programme's titles and end credits – a discreet blue logo "welcoming" them "on behalf of Barclaycard".

For £500,000, Barclays Bank has bought itself an association with one of Britain's biggest-audience TV programmes.

Yesterday, Mintel, the market research group, published its fifth annual report* on sponsorship in the UK. It suggests that Thames – the only British television company currently to run sponsored programmes – is at the forefront of an expanding area in the marketing industry.

Corporate sponsorship in 1991 will have reached £325m, the lion's share being in sporting events, with a total of £250m.

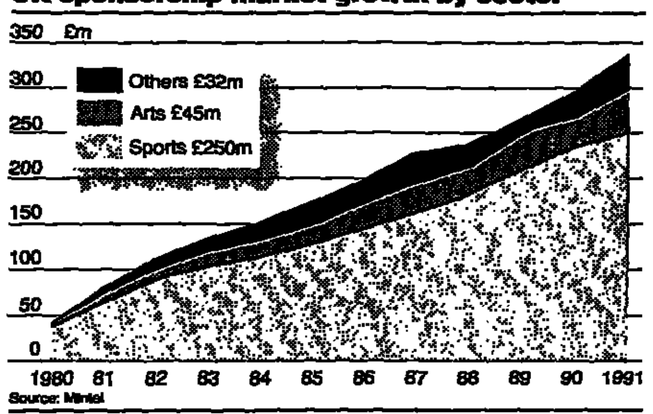
But the report argues that the areas where companies are "breaking new ground" are in broadcasting, education, social and environmental sponsorship.

In broadcasting, some £15m is being spent in 1991 – double the figure for last year.

The 1990 Broadcasting Act licenced the Independent Television Commission to open up programmes for sponsorship. Once the act came into force (in January 1991), the London advertising agency BMP DDB Needham used the opportunity to bring together Barclays – with its 8m credit card holders – and Thames.

Thames already has another programme running, Rumpole of the Bailey, a six-part series featuring a fictitious criminal barrister's life at the Bar, sponsored by Croft port (part of Grand Metropolitan group).

UK sponsorship market growth by sector



Source: Mintel

Despite the apparent limitations of the ITC code of practice regarding sponsorship (no product placements or promotional references are allowed), Mike McManus, commercial director of Barclays card services, had no doubt of the brand-promotional value of the enterprise.

He believes that "Wish You Were Here . . . ?", which has been running for 17 years and will have 26 weeks on air this season, is precisely the well-established type of programme which will get Barclays noticed and lend it a certain intangible kudos.

He is unperturbed by the fact that Thames recently lost its broadcasting franchise and will cease to broadcast in 13 months time.

With some 3m Barclaycard holders travelling abroad annually, Barclays feels that what it is getting in place of conventional brand advertising is a useful association with a quality programme.

Nor does the sponsorship begin and end with the appearance of the Barclaycard logo. When viewers of the travel programme write into Thames for details on the destinations featured by the programme, they will also receive details of Barclaycard.

Under the ITC rules governing sponsorship, Barclays has no editorial control over the programme's content – "they could say 'take American Express abroad because it's a good thing' if they wanted to, but we know what to expect from the programme," said McManus.

Thames is at the forefront of television sponsorship in Britain; out of a total 10 programmes put up by the ITV networks for sponsorship in 1991, Thames is the station to have attracted backers, though some electricity companies are currently sponsoring televised weather forecasts on the commercial network.

Bill Patterson, a senior market analyst with Mintel and editor of the latest sponsorship report, said that "while broadcasting sponsorship is still a tiny element of the whole area, it is one of the really dynamic ones. It can only grow and will grow fast."

The ITA, the association of independent television companies which form the British commercial television network, has already drawn up a list of 23 sponsorable programmes for 1992, more than twice the number on offer this year.

According to Patterson, "the argument for sponsorship as opposed to conventional spot advertising is that it can secure brand publicity when you want it and with what you want. On the other hand, companies considering sponsoring television programmes are still feeling their way.

"Moreover, when you look at the response of consumers, sponsorship of television programmes is one of the least acceptable forms of sponsorship for them. Unlike sponsorship of the arts, sports, or of a health or environmental event, consumers can see no obvious benefit in broadcast sponsorship."

Moreover, the tricky issue of what happens when a sponsored programme is repeated, or sold overseas, has yet to be resolved by the industry.

Sponsorship deals are currently individually negotiated, as in the Thames-Barclays deal.

Attempts by a television producer to remove a sponsorship logo from a programme before selling it overseas could run into trouble with the sponsor, who, understandably, believes that money paid into the programme's production budget entails a commitment from the station to keep the logo well to the forefront.

At the same time, sponsorship seems to please those who have dipped their toes into the water so far.

Powergen, the electricity supplier which currently sponsors weather forecasts, believes that it "has significantly boosted consumer recall of the company's name, and that it is attributable almost entirely to its sponsorship," said Patterson. The face of British commercial television is, subtly changing for ever.

"Sponsorship 1991" is available from Mintel International, 18-19 Long Lane, London EC1A 9HE. Price £695;

Out with the old: car makers are now vying for a share of the new market

Green with envy

Andrew Fisher on selling cars in east Germany

Trabant and Wartburg motor cars, once the workhorses of eastern Europe, are reaching the end of the road. And as owners discard their once-coveted vehicles, all the big German and foreign car companies are fighting for a share of the new market. Demand for cars in east Germany is expected to reach 700,000 cars a year by the end of the century.

So far the company that has come out ahead is not Volkswagen, the German car giant, but Opel, the German subsidiary of General Motors of the US. Last year, Opel had 21 per cent of the east German new car market against 15 per cent for VW. This year, Opel has kept its lead.

Opel's managers put the success down to an attractive model range and a nimble marketing strategy. However, capacity constraints also played a role, with VW saying it could have sold more if it could have produced more.

Opel had some hard work to do at first. While initial soundings showed that east Germans' first priority was a western car, Opel's name was not too well-known. After finding out what east Germans wanted and what they thought of Opel, the company set to work. It realised that east Germans wanted facts and did not mind being bombarded with technical data. The first newspaper and magazine advertisements were heavy on text in a way that westerners would find off-putting.

"The east Germans were a bit frightened of being taken advantage of. They wanted brochures rather than ads", says Klaus Trapp, Opel's marketing director. What they really needed to know was how cars would perform, what their technical specifications were, and what they cost.

There was another vital concern – the environment. After 40 years of living with pollution, east Germans hankered for a cleaner world. Thus they wanted catalytic converters in their cars and were prepared to pay up to DM1,000 (£350) extra for these. Opel offered these on all new cars in east Germany from the start.

Opel ran the first ever commercial advertisement on east German television in April, 1990. It lasted a minute instead of the 30 seconds usual on west German TV. The theme was the environment, with Louis Armstrong's 'Wonderful World' played over gentle scenes of waterfalls and forests.

Building up an adequate dealer network also took time and money. Today, Opel has 360 dealers in east Germany. Each is investing an average of DM1m in staff, buildings, and equipment. Opel does not provide finance, but has helped in arranging the soft credits available for new investments.

The company began with only 38 dealers in March, 1990. From the start, it sought people with an entrepreneurial spirit who had previously struggled with small repair shops outside the state-owned IFA vehicle group.

Other marketing efforts included a special 160-page book for the east German market, with brightly illustrated explanations of the cars and their features. Around 1m were distributed through dealers. In the summer of 1990, Opel also took a convoy through east Germany, with an estimated 400,000 people coming to see the 60 cars on show.

As Trapp admits, demand has been so high that Opel and its rivals were welcomed with open arms by the east Germans. But as the initial buying wave ebbs, the market will become harder. Opel may have pulled ahead, but its rivals, German, French, Japanese, or otherwise, will be pushing hard to close the gap.

Dignity by catalogue for the disabled

John Thornhill looks at a company that sees enormous potential for mail order sales to the handicapped

There are about 4m people in the UK with some form of physical disability – ranging from defective eye-sight to total paralysis.

This is an enormous potential market, yet few companies aim to sell clothes designed to meet their needs.

Most high street retailers argue they would not sell sufficient volumes to make commercial sense while the handful of companies that do sell to the disabled tend to offer only a narrow range of unfashionable lines.

An exception is N Brown, the Manchester-based mail order company, which has found that good profits can be made from selling goods with the disabled people's market specifically in mind.

The company runs two catalogues – Special Collection and Comfortably Yours – which aim to offer the disabled a range of fashionable clothes and other goods. Sales are currently running at £6m a year.

Jim Martin, N Brown's managing director, says the company's approach to the market started from the premise: "Why should the disabled put up with garments which able-bodied people would immediately reject?"

The company became interested in the market following a study conducted by the Disabled Living Foundation, the King's Fund and the Royal College of Nursing, which aimed to make it easier for the 200,000 people in long-stay care in the National Health Service to wear their own clothes.

"Choosing one's own clothes is an act of individuality. Wearing them enhances personal dignity and autonomy," the working party suggested.

Working with these organisations, N Brown adapted clothes and products it sells through its wide range of catalogues to address the specific needs of the disabled.

For example, Velcro fastenings were attached to make skirts easier to do up. Roomy armholes and elasticated waists made dresses more comfortable.

The company also introduced several garments which were aimed at the more severely physically impaired – such as the wheelchair-bound who account for 1 per cent of the disabled population.

Brown started by selling direct to shoppers in long-stay NHS hospitals but found it a difficult market to enter.

"We are very good at selling at a distance. But it may have been that we did not possess the right face-to-face selling skills," says Martin.

Big prizes in small parcels

Midland Bank and Barclays Bank, two of the leading foreign exchange dealers in the London market, have developed personal computer-based systems to make it easier for their corporate customers to trade small parcels of currency cheaply and safely.

Both systems are designed to solve the problem that, while every foreign exchange department is happy to trade in large amounts of currency, small deals – say $100,000 to $250,000 – are a source of irritation to both partners to the bargain. They tie up dealers' time and the customer believes the fee – typically £50 in back room costs – is out of proportion to the size of the deal.

Both banks believe that, while designed primarily to reduce their costs, the systems could help them to attract new corporate customers. Other banks, notably London branches of US operations, are also offering automated small deal systems. Midland's FX Direct, based on its existing in-house currency price distribution system "Superdoris", runs on a PC sited on a corporate dealer's desk.

It provides automatic access to Midland's FX quotes for some 30 currencies. Spot and forward deals up to a value of $2m can be struck; the system handles the processing of the deal and the despatch of the details to the back office.

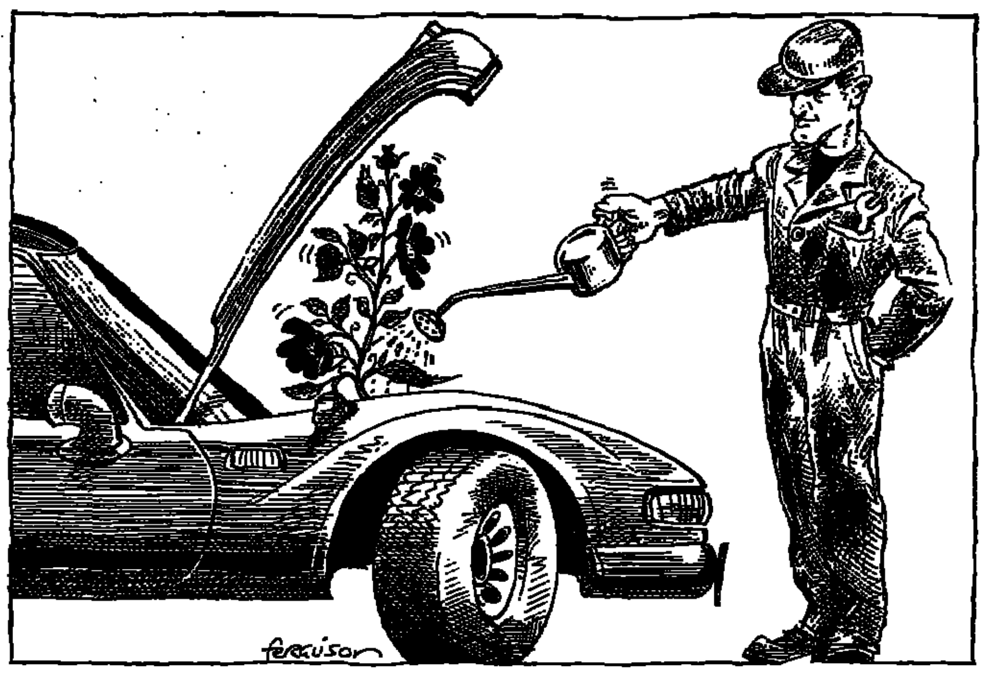
By comparison, Barclays' system, developed by Cognotec, a systems house specialising in the foreign exchange market, has a ceiling of £250,000 per trade. The quotes provided are based on Barclays' quotes in the interbank market, with a pre-determined margin added depending on the customer (the better the customer, the lower the margin). The customer has one minute to decide whether to deal against the quote.

Both banks are providing the software free. FX-Direct customers will have to find the cost of a PC, modem and telecommunications. In the first year, the cost might be £8,500, and £2,000 a year thereafter.

Alan Cane
Richard Waters

Japanese car makers are under pressure to make cleaner, greener machines, writes **Steven Butler**

Driving too slow in the fast lane



Honda Motor, the Japanese car maker, won few friends in the automobile industry in July when it announced development of a cleaner, more efficient automobile engine.

The company suffered resentment not because it beat the competition with a better product. Indeed Toyota has offered a similar lean-burn engine for 10 years in Europe, although few people were prepared to pay the extra cost.

But with its typical flair for publicity, Honda managed to capture attention and burnish its image as an environment-conscious company with a product many doubted was so important.

What really upset the competition was an impression they say Honda gave that the demands of environmentalists for radically cleaner and more efficient engines could be met. With US legislators considering new corporate average fuel efficiency standards for the industry, many believed the timing of Honda's announcement could not have been worse.

After a decade in which auto makers have been trying to squeeze more performance out of their cars, while laying on more comfort and luxury, the Japanese car markers have been hit by an avalanche of environmental demands. The US is imposing ever stricter standards on fuel efficiency and emissions.

Meeting ever tougher environmental standards – and trying to influence the setting of those standards – has moved steadily higher up the agenda for Japanese automobile manufacturers. "Overall we have changed from a passive attitude to a more active attitude," says Masaaki Ohashi, senior managing director at Toyota.

It would be easy to dismiss this sort of statement as public relations. Yet there is no doubt Toyota and other makers are taking the global surge of environmental concern seriously if only because they stand to lose if their products cannot meet tighter standards.

Toyota is spending up to 30 per cent of its R&D budget on environment-related programmes, which amounts to roughly Y135bn (£590m) this year. Other companies are spending a similar amounts.

Toyota's only recent organisational response has been to set up a recycling committee, yet this committee takes its place next to a raft of other committee structures that have been in place for years.

Nissan, the second biggest Japanese maker, last year established a new environmental and safety department headed by a general manager, and on April 24 this year – Earth Day – began running corporate advertisements emphasising the company's environmental credentials.

Honda created a similar committee reporting directly to the board to act as a kind of global switchboard, keeping tabs on changing environmental regulations in Honda's markets and co-ordinating the response.

Soichiro Irimajiri, executive vice president in charge of Honda's research operation, says: "The issue is becoming more and more complicated. We need to simplify information so board members can grasp a total view."

As for the ire towards Honda from other carmakers, Irimajiri admits the timing of the announcement of Honda's lean-burn VTEC (valve timing and lift electronically controlled) engine was not ideal. Nevertheless, he is still unapologetic.

"We did not say that the VTEC engine will solve everything. The fact is that we had developed the product and were going to sell it," he says.

The engine works by burning a ratio of air to fuel that is close to 25, compared with the traditional engine air/fuel ratio of 15. The result is more efficient and complete combustion which is inherently more difficult to sustain. Honda achieved stable combustion by a clever design of the cylinder, resulting in improved fuel efficiency of between 20 and 40 per cent, depending on driving conditions, with only a small loss of performance.

Yet lean burn produces more oxides of nitrogen, which cannot be removed by traditional catalytic converters. As a result, Honda's engine is being installed only in smaller cars, with an engine size of 1,500 cc. Even so, the engine cannot meet California air standards. For California, the engine will burn a normal air/fuel ratio, with some loss of efficiency, but fewer oxides of nitrogen.

Because of these limitations, the other auto companies believed Honda has, perhaps unintentionally, created false hope that a solution to the environmental problem was around the corner. Says Ohashi: "There is no fundamental technological breakthrough on the horizon."

While small improvements in engine efficiency may be possible, Ohashi argues that in the end cars that have cleaner exhaust and less CO_2 must be smaller and lighter, or make compromises on performance. Toyota's experimental efforts, such as gas turbine or multi-fuel cars, do not look like commercial hopefuls.

Yasuhisa Tsuda, director of Nissan's technology planning department, agrees: "Lean burn is a special solution for a special car. A big leap [in fuel efficiency] from the current level is very difficult to foresee. There is only the summing up of small efforts."

For Nissan, these include trying to reduce mechanical friction by reducing piston rings from three to two, or attempting to lower rolling resistance. In total, Tsuda projects a 7 per cent increase in efficiency by the year 2000. Improvement, but not exactly a revolution.

Irimajiri, however, refuses to be discouraged. "We still believe in the potential for the lean burn engine."

Honda, like the other makers, is working on a catalyst to remove oxides of nitrogen. It is also considering more exotic engine designs to burn air-fuel ratios of 40 to 50. Emissions of oxides of nitrogen go up initially as the air-fuel ratio rises above 15, but then fall off sharply as the ratio approaches 40. No one knows how to sustain combustion at this sort of ratio in a practical engine that could power an ordinary car.

As for the zero emissions vehicles mandated for California by 1998 the outlook is even dimmer, in spite of the huge amount of money being spent that has already produced impressive technological advances. Nissan, for example, has made much over the development of a battery-powered car known as the Future Electric Vehicle, or FEV, which has a quick recharge of just 15 minutes. The performance of the car looks close to some small petrol-powered cars on the market today.

"The FEV is proving good in field tests," says Tsuda. But he admits the cost of the battery is "unrealistically enormous". It will cost at least three times the price of a normal vehicle, and this is before the huge infrastructural cost of putting in a network of high-voltage recharging stations.

Honda projects that a small electric car will have the performance of an Y800,000 mini-car, but a price-tag equivalent to its Y4m Legend, a luxury version of Honda's Accord model. Even if car makers are forced to offer electric vehicles for sale, who will buy one?

Toyota and Nissan both claim breakthroughs in products such as paints and plastics that will increase the recyclable portions of cars without raising weight, and the three are rapidly phasing out CFCs in air conditioning units, foams and manufacturing processes.

In all, this amounts to a big and expensive effort by the industry. Yet, in spite of the reputation of Japanese companies for technical wizardry, as Tsuda puts it, the companies still have little to offer but the summing up of small efforts.

Intelligent house opens its doors

By Paul Taylor

Bricks and mortar it was not – more like a poorly constructed stage set. Nevertheless the "Intelligent House" demonstrated at the Esprit 91 conference and exhibition in Brussels last week was an impressive display of the electronic wizardry which could become part of suburban homes of the late 1990s.

Esprit, the European Community's information technology research programme, claimed the mock-up was a demonstration of "the first home system to integrate the functions of a fully automated 'intelligent' house".

The system will allow home owners to link safety, comfort and entertainment throughout the house and control features via the television set, a computer, a remote control unit or even by making a telephone call home.

Among the benefits of the system are energy cost savings and conservation by managing energy consumption as well as increased home comfort and security.

The companies backing the project claim the system could be available within three to five years and will cost no more than a good television set or hi-fi system.

Earlier this year Esprit published a home systems specification designed to establish a standard which would enable manufacturers to develop compatible products, and to advise installers, home builders and occupants how to select components and install them.

The task of refining and promoting the standard has now been taken up by the industry-based European Home Systems Association whose members include those companies involved in two Esprit projects, Home Systems and the Integrated Interactive Home.

The two projects have brought together BT (formerly British Telecom), Thorn-EMI and GEC of the UK, AEG/Daimler Benz and Siemens of Germany, ABB of Sweden, Philips of the Netherlands and the French company Thomson, among others.

The demonstration house at the exhibition showed how the system operates and comprised six specific applications:

- Load management. A typical house includes many different electrical appliances which are sometimes switched on at the same time placing a heavy burden on the energy supply during peak demand periods like morning and evening mealtimes. An energy load management system switches power from device to device according to pre-set priorities while keeping the load below a pre-determined limit.

In addition, the central heating system can be programmed with fuel tariff information and then switches automatically to use the most cost-effective fuel at any given time, typically electricity at night and gas during the day.

- Lighting control. Individual lights can be controlled from a central control unit and programmed to turn on and off. While the house is empty a random programme can be activated, for security. A remote control can also switch the lights off when the television is switched off and the person leaves the room.
- Access control. From anywhere in the world a home system can be controlled by dialling the home telephone, entering an identification code and using a voice response menu system to select a function, for example programming the video recorder, turning lights on, drawing curtains or switching off an iron that was left on by mistake.
- Audio visual distribution system. At the heart of the integrated home system is a simple and cheap audio visual network linked by coaxial cable. A central cluster distributes the AV signals throughout the home without loss of quality or interference.

In addition, an infra-red remote control signal can be sent through the network to control the VCR in the living room from the television in the bedroom.

- Security. Video cameras can show a visitor at the front door on the television set in the lounge and if an intruder is detected a phone call can be automatically routed to a nearby security service.
- One final feature, the video cameras, can record an intruder on the VCR – a good idea provided the thief does not steal the recorder itself.

Bill Coleman, talented amateur photographer and investment banker with an environmental focus.

Bill Coleman believes the environment is a sound investment.

Bill Coleman is not an ecologist, he's a banker.

He looks at the world's growing preoccupation with environmental issues from a different perspective. One which has begun to influence the advice he gives investment clients at James Capel & Co. in London.

"There can be no doubt about the scale of opportunity for companies which can help bridge the gap between the demand for energy and the realities of protecting our environment", says Coleman.

"We are seeing the emergence of a new business sector spanning a range of energy and environmentally-related technologies that is going to rank alongside such things as microelectronics, telecommunications and genetic technology in importance.

"Nature's energy resources are undervalued assets in more ways than one."

Electrical engineering will be a key technology in the twenty-first century. The facts are simple. By the year 2000, the world's energy demands will have increased by 30%. There will be one billion new consumers whose needs must be met whilst the effects on our environment must be minimized.

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Hollywood dreams: diverting and diabolical

It was all a blur after Robert Mitchum. On day ten of my visit to Hollywood, fate propelled me a hundred miles up the coast to bougainvillaea-clad Montecito. Here over a frightful number of double Martinis, Old Sleepy Eyes regaled me about the golden days. Joe Sternberg, Otto Preminger, Howard Hughes; Jane Russell's bosom, Marilyn Monroe's drama coach; and Sir David Lean defying waves and wind-machines in *Ryan's Daughter*....

Hypnotic stuff. I lost all sense of time, as Tinseltown had surely intended me to ever since I touched down in LA. There is a hazy memory of two weeks spent making 400 phone calls and seeing 40-odd films. My telephone bill was incurred attempting to pin down the rich and famous; my pace-that-kills viewing schedule while logging up the spate of new movies hitting pre-Christmas cinemas. At one point I dreamed I fell off the seventh-floor balcony of my Sunset Boulevard hotel room, only to be born aloft by a number of bygone film stars wearing wings.

Hollywood is a factory town where the local product – dreams – spills out and infects the air. It is easily confused with the town's other major commodity, smog. But the pervasiveness of dreams is more attractive and this Christmas they are the stuff that nearly all the films are made of. Light, diversionary dreams in *Beauty And The Beast*, *Fievel Goes West* and *Curly Sue*. Sleek, diabolical dreams in *Cape Fear*, *Billy Bathgate* and *The People Under The Stairs*.

Fitting climax, this, to an oneiric movie year. Heroes and heroines afflicted with amnesia have been accosting us for months – in *Shattered*, *Dead Again*, *The Fisher King* – and later this month the most eagerly awaited Yuletide film opens in the US: Spielberg's *Hook*, in which Robin Williams thinks he is Peter Pan to Dustin Hoffman's Captain Hook.

I failed to get even a sighting of *Hook*. TriStar Pictures, in an act of corporate discourtesy unparalleled in my career, refused to return my dozen-odd phone calls. They are now on my black list along with Saddam Hussein, the late Adolf Hitler and other important public enemies past and present.

I did, however, see a true Christmas treat in Disney's *Beauty And The Beast*. This is the studio's best animated feature in decades. Set in a never-never rural France, it re-conjures the visual magic of *Snow White* and *Fantasia*: multi-layered forest perspectives, a bravura Gothic castle and the enchanting conceit of turning the castle's living furniture into the story's comic relief. Led by a Maurice Chevalier candelabra

Robert De Niro and Nick Nolte in 'Cape Fear'

and a pompously mercurial clock with dial-moustaches, these dance around the pretty heroine and the hero whose roars set your seat shaking.

The Spielberg-produced *An American Tail 2: Fievel Goes West* is a relative dullard. Reprising the lost-and-found plotline of *Tail 1* – this mouse seems unable to hold on to his parents – it rejoices chiefly in John Cleese's vocalising of the feline villain: one Cat R Waul, a sort of Basil Fawlty with whiskers.

Other Yuletide children's fare is heavy on the saccharine. John Hughes's *Curly Sue*, opening here on Boxing Day, is a poor-little-street-waif tale of surpassing ickiness from the writer of *Home Alone*. And *My Girl*, directed by Howard Zieff, wastes *Home Alone*'s boy prodigy Macaulay Culkin in a maudlin yarn about an undertaker's daughter learning to confront death. Not hers but best friend Culkin's. Dan Aykroyd plays widowered Dad, Jamie Lee Curtis is his girlfriend and the daughter's sympathetic surrogate Mum, and you are all but provided with kleenexes to sob into.

Grown-ups are best catered for by *Cape Fear*. Re-shuffling the 1962 thriller about an ex-convict terrorising the lawyer who sent him to jail, plus the lawyer's family, director Martin Scorsese sets Robert De Niro down on the card-table as the triumphant joker. This Max Cady, unlike Robert Mitchum's brooding thug in the original film, is a Southern-twanging japester with tattooed body, panama hat and insane grin.

He upstages Nick Nolte and Jessica Lange as the troubled couple, though he is almost matched by Juliette Lewis as the pubescent daughter, slithery with half-awakened desire. Scorsese overdirects somewhat: the camera deliriums that made *Goodfellas* a great Mafia Satyricon distract here from the straight-arrow thriller requirements. But it is bracing to see a movie imagination refuse to be nailed down to camera positions A, B and C, even when the story material is banal enough to request it.

Billy Bathgate, the season's other hoodlum tale, disappoints. Director Robert Benton, who as screenwriter of *Bonnie And Clyde* set a brilliantly kaleidoscopic pattern for the modern gangster film, is over-reverent towards E.L. Doctorow's novel about 1930s mob leader Dutch Schultz. Lost amid the inert period fidelity, even Dustin Hoffman's performance as Schultz seems like a costume rehearsal in search of a character.

Finally, one from curio corner and two from curio cul-de-sac. Wes Craven's *The People Under The Stairs* is an amiable horror folly about spooks under the floorboards, with at least two shock moments when the filmgoer leaps six inches from his seat. *The Addams Family* is a less amiable horror spoof that, though minting early money in the US, will surely expire commercially as fast as its plot does imaginatively. And Steven Soderbergh's Prague-shot *Kafka* is a black-and-white *grand guignol* with a fictionalised Franz K (Jeremy Irons) coming up against ghoulies, ghosties and girlies (Theresa Russell as a sexy anarchist). Unfortunately the only thing going bump in the dark is the audience. Dropping their popcorn and personal effects, they attempt to find their newspaper listings to make sure it is *that* Soderbergh – he of *sex, lies and videotape* – who made this odd, undernourished blend of horror hokum and Euro-pretension. It is and he did.

★

Back in Britain it is a lightweight, not to sat flyweight, week. Two movies, two minor divertimenti. Pedro Almodovar's *Matador* (Metro, Electric, 18) is a five-year-old slice of kitsch from the Spanish director of *Women On The Verge Of A Nervous Breakdown*. Two serial killers (Nacho Martinez and Assumpta Serna) meet and mate in a Madrid notable for the remarkable number of wacky characters still alive despite the hero and heroine's best efforts.

She wields a fatal hairpin; he murders when not masturbating in front of TV slasher films; they finally achieve a self-destruct consummation on a brightly-coloured outspread toreador cape. Watching this essay in Hispanic hyperbole film is like eating a *taco*. Half of it slips deliciously into the mouth, the rest dribbles uncontrollably down your front thanks to the loose-fitting casing and the odd angles of presentation.

Hearts Of Darkness (Everyman, 15), written and directed by Fax Bahr, explores even deeper reaches of eccentricity. But who could resist this documentary on the making of Francis Coppola's *Apocalypse Now*, drawn from footage shot during filming by Coppola's wife Eleanor? Expanding budgets; exploding egos; and the indelible sight of Marlon $1m-a-day Brando arriving in the Philippines to play the "emaciated" Kurtz and weighing in at about 250 pounds.

Nigel Andrews

Edward Petherbridge and Susan Hampshire

Noël and Gertie

DUKE OF YORK'S THEATRE

Noël Coward and Gertrude Lawrence, two of the icons of London theatre, will never be long absent from the London stage. Too many indestructible vehicles were written for one or other of them for that to be possible. And, though their legendary partnership only had two brief vehicles (the 1930 *Private Lives* and the 1936 *Tonight at 8.30*), those were enough. Revivals, biographies, films, documentaries, musical anthologies and, recently, the Joan Collins industry all go on fanning an already lively flame.

Now Sheridan Morley's graceful tribute to the pair has been revived for the very stylish talents of Edward Petherbridge and Susan Hampshire. Petherbridge in particular is – well, not a tower of strength, but a gossamer thread, apparently fragile but actually as strong as steel. He catches the clipped Coward diction without exaggeration; he even catches Coward's frog-prince voice on certain vowels (a special feat); but he is too intelligent and mature an artist to attempt a complete Coward imitation. The delicacy and refinement that are central to his Noël are sheer Petherbridge, and that is as it should be. He is not a strong singer, but his rhythm, diction, phrasing carry the songs and the show.

I rub my eyes as I watch Susan Hampshire, because she was already an accomplished television actress early in my childhood; and yet today her face, voice, figure are still unscathed by time's furrows. This is certainly an odd phase of her career to be concentrating on musicals – her singing voice is attractive but weak, inclining to spread at the top and to go flat throughout – but she has the expertise to negotiate problems lightly. Her faults are never troublesome. I was charmed by everything she did as Gertie; and there's the problem, especially in her speaking. She simply applies too much charm, too little spontaneity or attack.

Still, I wish these artists could exercise their talents elsewhere – how about *Present Laughter*? – than in the fetters of a biographical *tribute*. *Noël and Gertie* is theatrically adept; it does not overdo either nostalgia or sentimentality. It has a host of vintage Coward songs and, better, vintage Coward scenes. But Coward's real mastery lay in the overall construction of his plays, not in the famous Coward style and certainly not as an important author of the love of man and woman for each other. The Noël-Gertie scenes here boil down to a series of variations on the same theme: pseudo-romance.

Alastair Macaulay

'Lucia di Lammermoor' and 'Marriage of Figaro'

GAIETY THEATRE, DUBLIN

This promises to have been a year of successes and failures on a grand operatic scale for Dublin as Cultural Capital of Europe. An ambitious plan to bring the National Opera of Sofia to the city in the autumn led to enormous losses, with debts of up to £700,000 being mentioned in some quarters. The big crowd-pulling appearances by Domingo and Pavarotti are still to come.

What opera-goers in Dublin will want to know, however, is how far the exceptional activity of this year can be expected to carry through into the future. Dublin lacks a full-time opera-house and the resident company, DGOS Opera Ireland, has had an unhappy recent history. The low point was reached a couple of years ago when one season was cancelled altogether. But now the company is looking healthier again under its new Artistic Director, Elaine Padmore, who has shown her mettle at the Wexford Festival down the coast.

The task in Dublin is to produce a pair of operas on limited rehearsal time, without a permanent chorus or orchestra, and in a theatre which is putting its main effort into getting *Jack and the Beanstalk* on stage in time for Christmas. In the event both the operas in this winter season are a mixture of good and bad things, but with *Lucia di Lammermoor* it is the good that prevails.

The producer was Francesca Zambello, who scored a minor triumph with another Donizetti opera at Wexford this year. With Bruno Schwengl as her designer she has contrived a staging that makes much of little, just mists and a wind-swept tree to suggest the chill of the Scottish highlands and ominously blood-red curtains for the baronial hall. It was all extremely well lit by Michael Calf and devoid of eccentricities, at least until the final scene, when the supposedly dead Lucia came tripping on for a last appearance.

In that role the 21-year-old Bulgarian soprano Alexandrina Pendachanska turned in a pretty remarkable performance, for she is not at all the technical automaton one might have feared at that age. Her voice is small and lacks dazzle for the coloratura. But she uses it to create an almost unbearably touching Lucia, always introverted and by the end collapsing inside altogether as she slides into insanity. Every note of the mad scene added something to the character.

Unfortunately the other members of the cast had their time cut out just getting around the notes. John Fowler as Edgardo had problems with intonation, Jan Galla was a rough Raimondo and Albert Dolin an underpowered Enrico, although the tone that he does have is usefully compact. Adrian Martin's Arturo was better projected than any of them. I enjoyed, however, the stylish conducting of Maurizio Di Robbio and that was not only because he was working with the less than first-rate RTE Concert Orchestra.

There was a worrying shakiness of ensemble again in the other opera, *The Marriage of Figaro* (sung in English), and the conductor of that production, Jonathan Webb, also tended to impose himself on the music too insistently. But then this was not a subtle evening.

Valerie Masterson, Pamela Helen Stephen and Regina Nathan in 'Figaro'

The producer and designer, John Lloyd Davies, had updated the opera to around 1900 with arty geometric sets. But there was no serious attempt to put the choice of period usefully to work, save for when Cherubino sang "Voi che sapete" to the accompaniment of an old horn gramophone, which must make his little song one of the fastest to be recorded of all time. For the rest the production teetered on the edge of operetta, as though Mozart was the progenitor of Gilbert and Sullivan.

It was left to the main singers, and Valerie Masterson above all, to keep the human heart of Mozart's comedy ticking. Though cautiously sung these days, her Countess is a penetrating study of a woman in middle age, still attractive enough to invite temptation and yet knowing inside that there is nothing to come but hurt and disillusion. Victor Ledbetter made a stern Count and Pamela Helen Stephen a nicely lanky Cherubino. Regina Nathan as Susanna sang a poetic "Deh vieni". But next to Miss Masterson's living, breathing Countess, they were just going through the motions.

Richard Fairman

Paul Taylor Company

SADLER'S WELLS

With the Paul Taylor Company back in London – at Sadler's Wells for the next ten days – dance-enthusiasts know that movement, joyous or tormented but always vivid, will seize their imaginations. They know, too, that Taylor will ring the changes on two favoured themes, setting works that propose serenity and the most civilised manners against night-haunted pieces in which the sleeping beast awakens and stalks the dark. Just so in the first of the company's four programmes on Tuesday night, when *Airs* was followed by *Nightshade*.

Airs we know and love for its grace and sweeping dance phrases, as Handel concerti grossi move through the buoyant and sweetly placed bodies of the cast, and every action speaks of respect, affection and discreet joy. It is a difficult work to bring off successfully, and there were moments on Tuesday night when the dancers looked too intoxicated by the beauty of it all. Their expressions, their movements, had a holier than thou air which was cloyingly ecstatic, like a door-step evangelist making a bid for an errant soul. What was fascinating, as always with Taylor's troupe, was one's re-acquaintance with a company in which bulk – sheer physical weight of presence – is so essentially part of the dance-style. Strongly muscled, well-covered with flesh, these dancers move with a fluency and a lightness belied by their apparent heaviness of build.

The Taylorian contrast – Hyde to the earlier Jekyll – came with *Nightshade*, which is a grand and horrific piece of Victorian menace. A darkened stage. The glimmer of a lantern. A group of men and women who might have come from the most grotesque illustrations by Phiz to Dickens' bleakest pages. Bodies tormented in galvanic movement, lying drugged or dead, or seized by convulsive lusts: I thought of images from *Edwin Drood*, or "Tom all-alones" in *Bleak House*, or *Our Mutual Friend*. Late Skryabin is the score – the tenth piano sonata and *Vers la flamme* – and the music's mania finds exact reflection in the disjointed, compulsive and convulsive *ronde infernale* of the four men and their women, mistresses and servants, with a child skipping through the scenes, destined, of course, to be the culminating sexual victim. Taylor drives the action unrelentingly along, without explanation, but generating a pungent, rancid atmosphere of unspeakable desires and shadowed terrors. Like certain earlier Taylor pieces – *Churchyard* or *Runes* – it chills the blood. It is very fine, and very finely danced.

Nightshade dates from 1979. The closing piece of the evening was *Company B*, made this year as a nostalgic and not too sentimental view of war-time ballads. The songs are the Andrews Sisters' hits of the 1940s – "Oh, Johnny", "Boogie-Woogie Bugle Boy", *et al* – and Taylor knows that this exercise in social archaeology must be given with that sheen of romanticism which disregards the harsher actualities of war-time service and separation. So men and women are clad in pale, clear colours; jitterbugging is never far away; and the dance manner is buoyant, show-offish, with the men of the ensemble especially strong. It is, in the main, dance about superficial sentiments, which was war-time's way of coping with things more terrifying. Taylor briefly hints at women's desolation and men's chances of death in action – but no more than did the popular songs of the period. As always with Taylor, the choreography is exactly judged to his music's ability to sustain emotional tensions. His dancers are a superb troupe, whom you should under no circumstances miss.

Clement Crisp

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

■ BARCELONA

Two concerts are being given to mark today's 200th anniversary of the death of Mozart. At the Palau de la Musica (268 1000), John Eliot Gardiner conducts the English Baroque Soloists and Monteverdi Choir in the Mass in C minor and the Requiem, with soloists Barbara Bonney, Anne Sofie von Otter, Anthony Rolfe Johnson and Alastair Miles. This concert is sold out, but the second half is being broadcast on television in several European countries. At the Gran Teatre del Liceu, Uwe Mund conducts the Requiem with soloists Helen Donath, Marjana Lipovsek, Gösta Winbergh and Kurt Moll, and the Orchestra and Chorus of the Liceu (412 1466)

■ BERLIN

Schauspielhaus 20.00 Claus Peter Flor conducts the Berlin Symphony Orchestra and Philharmonic Chorus in an all-Mozart programme. Sat. Sun, Mon: Gothart Stieruatorio (East Berlin 2272 261)
Deutsche Oper 19.30 Heinrich Hollreiser conducts Gunter Kramer's production of Die Zauberflöte. Tomorrow: ballets by Bejart, Kenneth MacMillan and Christopher Bruce. Sat: L'elisir d'amore. Sun: Hansel and Gretel *(West Berlin 3410 249)*
Komische Oper 19.00 Rolf Reuter conducts Harry Kupfer's production of Die Zauberflöte, also tomorrow. Sat and Sun: Tom Schilling's production of Cinderella (East Berlin 2292 555)

■ CHICAGO

Orchestra Hall 20.00 Second week of Pierre Boulez's four-week residency with the Chicago *Symphony Orchestra. Tonight's* programme is Schoenberg's Pelléas et Mélisande, the Bach/Schoenberg Prelude and Fugue in E major and Berg's Violin Concerto with Midori. Also tomorrow at 13.30, Sat and next Tues. Sun afternoon: Boulez conducts the Chicago Civic Orchestra (435 6666)

■ FLORENCE

Teatro Communale Tomorrow at 18.00, Witold Lutoslawski conducts the Orchestra of the Teatro Communale in a programme of his own music. Repeated on Sat and next Wed and Thurs (277 9236)
Piccolo Teatro Two chamber operas - Anton by Claudio Casini and Emilio Scogna, and La figlia del mago by Lorenzo Ferrero - are being performed tonight at 20.30. The production runs till Dec 17, with next performance on Sat at 15.30 (277 9236)

■ GLASGOW

Royal Concert Hall 19.30 James Judd conducts the Royal Scottish Orchestra in Elgar's First Wand of Youth Suite, Beethoven's Eighth Symphony and Brahms' Violin Concerto, repeated on Sat. *Tomorrow: Fedor Gluschenko* conducts the BBC Scottish Symphony Orchestra in the world premiere of Robin Orr's Sinfonietta Helvetica, with Karin Georgian soloist in Dvorak's Cello Concerto. Sun: Alexander Gibson conducts Dvorak's New World Symphony (041-227 5511)

■ LONDON

THEATRE
National Theatre
● The Sea: Edward Bond's comedy opens at the Lyttelton on Dec 12 (previews from tomorrow) in a production directed by Sam Mendes. Judi Dench plays Mrs Rafi. This is the first major London revival since the play was premiered at the Royal Court in 1973. Designs are by Bob Crowley with lighting by Paul Pyant. The play follows the bizarre chain of events after a violent storm during which a young man drowns. Set in a small east coast town in 1907, The Sea introduces a rich array of eccentric characters who are all, in their individual ways, affected by this tragedy (071-928 2252)
● The Little Clay Cart: Jatinder Verma and Ranjit Bolt's adaptation of this eighth-century Sanskrit play opens in the Cottesloe tonight. This epic fable of romance and revolution - *unique among* surviving Sanskrit dramas in being entirely secular - has been described as one of the finest examples of classical Indian theatre. The production features a cast of Asian and Irish actors and musicians (071-928 2252)
● For ticket information about all West End shows, phone Theatreline from anywhere in the *UK: Plays 0836 430959 Musicals* 0836 430960 Comedies 0836 430961 Thrillers 0836 430962
MUSIC AND DANCE
Covent Garden 19.00 Hartmut Haenchen conducts the first night of Graham Vick's new production of Mozart's Mitridate, designed by Paul Brown. The cast includes Jochen Kowalski, Ann Murray, Yvonne Kenny and Gillian Webster. Runs till Dec 19, with next performances on Mon and Wed *(071-240 1066)*
Coliseum 19.30 Adam Fischer conducts Richard Jones' new production of Die Fledermaus, with a cast led by Vivian Tierney, Donald Maxwell, Nicholas Folwell and Lesley Garrett. Tomorrow and next Wed: Un ballo in maschera. Sat and next Thurs: Le nozze di Figaro (071-836 3161)
Royal Festival Hall 18.00 Bernard Haitink, the Emerson Quartet and the London Philharmonic take part in a concert of chamber, choral and orchestral music in celebration of the life of Mozart. Tomorrow in Queen Elizabeth Hall: Ivan Fischer conducts the Orchestra of the Age of Enlightenment and soloists in a concert performance of Mozart's Zaide. Sun: Sinopoli conducts Tchaikovsky (071-928 8800)
Barbican 19.45 Jeffrey Tate conducts the English Chamber *Orchestra and Tallis Chamber* Choir in Mozart's Clarinet Concerto with Thea King and the Requiem. Tomorrow: Jacques Loussier plays Bach. Sat: City of London Sinfonia plays Mozart. Sun: Igor Oistrakh plays Mendelssohn's Violin Concerto (071-638 8891)
Sadler's Wells 19.30 Paul Taylor Dance Company. Daily except Sun and Mon till Dec 14 (071-278 8916)

■ NEW YORK

Avery Fisher Hall 20.00 Erich Leinsdorf conducts the New York Philharmonic Orchestra in an all-Mozart programme, including the Piano Concerto No 27 with Alicia de Larrocha and the Requiem. Repeated tomorrow, Sat and next Tues (875 5030)
Carnegie Hall 20.00 Neville Marriner conducts the Academy *of St Martin in the Fields in* Mozart's Requiem and Vesperae Solonnes de Confessore. Tomorrow and Sat: Gidon Kremer and the Deutsche Kammerphilharmonie. Sun: Christmas concert with Kathleen Battle, Frederica von Stade, Wynton Marsalis and André Previn (247 7800)
Metropolitan Opera 20.00 James Levine conducts Die Entführung aus dem Serail, with a cast led by Mariella Devia and Matti Salminen. Tomorrow: La traviata with Cheryl Studer (362 6000)
New York State Theater 20.00 Balanchine's City Ballet production of The Nutcracker. Repeated tomorrow, with afternoon and evening performances on Sat and Sun (870 5570)

■ PARIS

Opéra Bastille 19.30 Friedemann *Layer conducts Bob Wilson's* production of Die Zauberflöte, with a cast led by Hans Sotin, Hans-Peter Blochwitz and Cynthia Haymon. This production runs until Jan 14, with next performances on Sat and Mon. Tomorrow at 20.30: Ravel Quartet plays Mozart string quartets (4001 1616)
Châtelet 20.30 Marek Janowski conducts the Orchestre *Philharmonique de Radio France* in the world premiere of Messiaen's Un sourire, plus Reger's Variations and Fugue on a Theme of Mozart and Mozart's Piano Concerto No 27 with Christian Zacharias. In the Auditorium at 19.00: Tokyo Quartet plays Mozart string quartets. Tomorrow, Sat and Sun: West Side Story (4028 2840)

■ VIENNA

Staatsoper 19.00 Donald Runnicles conducts Don Giovanni with a cast led by Ferruccio Furlanetto, Deon van der Walt and Tina Kiberg, also Sun. Tomorrow and Tues: Katya Kabanova with Nancy Gustafson and Leonie Rysanek. Sat: Samson et Dalila. Mon: Der Rosenkavalier (51444 2960)
Volksoper 19.00 Die Zauberflöte, also Sun. Tomorrow: Kalman's operetta Die Zirkusprinzessin. Sat: *Der Vogelhändler (51444 3318)*
Musikverein 19.30 Nikolaus Harnoncourt conducts the Chamber Orchestra of Europe in Mozart's last three symphonies, repeated tomorrow (505 8190)
Konzerthaus 19.30 Sandor Vegh conducts the Camerata Academica in a Mozart programme, including the Adagio and Fugue K546 and Piano Concerto No 24, with Alexander Lonquich. Tomorrow: *Rafael Frühbeck de Burgos* conducts the Vienna Symphony Orchestra in a Mozart programme. Sat: Pinchas Steinberg conducts a concert performance of Prokofiev's The Fiery Angel, with Linda Roark-Strummer and Jorma Hynninen (7124 6860)

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1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
2130-2200 (Thurs) Talking Heads - International issues

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
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Mr Maxwell's legacy

ROBERT Maxwell spent considerable time in the latter part of his life contesting the judgment of a Board of Trade inquiry that he was unfit for the stewardship of a public company.

The final verdict on Mr Maxwell's career is yet to come. But it is already clear that that judgment was entirely correct. He was not fit to handle other people's money. Yet in the closing months of his life, two decades after that damning verdict, Mr Maxwell was director, guiding force and sole arbiter of the affairs of two substantial public companies.

Maxwell Communication Corporation was big enough to qualify for the FT-SE index of the UK's most important companies. Mirror Group Newspapers had only recently been offered for sale to shareholders who included many readers of the company's newspapers. Its pensioners' interests have been prejudiced by the disappearance of pension fund assets. And its principal title, the Daily Mirror, is a newspaper that plays a significant part in British political life.

Mr Maxwell's failings as a company director were not an esoteric matter of corporate governance: they were of direct importance to a large number of ordinary people. How was it that he was able to play such a role, for so many years, with such apparently cavalier disregard for the normal standards of probity? How could some of the world's leading banks lend so much money to him and his companies? How could he recruit City advisers of the highest calibre? In short, how did Mr Maxwell get away with so much for so long?

The answer lies in three closely entwined aspects of the UK corporate scene: the lack of transparency of ownership available to those who choose to take advantage of it; the relaxed nature of pension fund regulation; and endemic weaknesses of the modern system of corporate governance.

Transparency question

Start with the question of transparency. The Maxwell empire – like Mr Agha Hasan Abedi's BCCI octopus, Mr Asil Nadir's Polly Peck structure and Mr Larry Goodman's nexus of Irish food businesses, to name just three other spectacular recent casualties – was an elaborately constructed mesh of companies, some more visible than others. In his closing years, as if to taunt UK standards of disclosure, Mr Maxwell moved the ultimate control of his empire from Liechtenstein to Gibraltar, a colony which is, in practice if not in principle, amenable to influence from Whitehall. It may be necessary to accept some role for anonymity in financial affairs, if only in order to accommodate the preferences of overseas investors. But there is little reason for extending it the protection of the British crown.

Wholesale review

The second area of weakness is the assumption that UK pension funds are run by honest people, who need to be protected against the consequences of gullibility or error, but do not need to be scrutinised against the possibility of outright fraud. Under current law, the security of the pension fund assets is not guarded sufficiently; and the disposition of those assets is not checked sufficiently rigorously or often. The Maxwell affair cries out for a wholesale review of pensions law; it is long overdue.

The weaknesses of UK corporate governance are well known. Non-executive directors too often fail to exercise sufficient control over a strong-willed chairman: Mr Maxwell's character tested that thesis to extremes. More generally, the looser regulatory regime of recent years – designed to give greater scope for financial entrepreneurship – requires more vigorous investigators in the Department of Trade and Industry and the Serious Fraud Office.

It also requires a degree of scepticism on the part of financial institutions that was too often lacking in the 1980s. Bankers and City advisers appear to have extended Mr Maxwell too much credit – in both the literal and metaphorical sense of the word – for far too long. Institutional investors deserted him well before the final act; distinguished City names should surely have displayed no less sense of self-preservation.

That handbag goes south

THE COMMUNITY shall have as its task . . . the promotion throughout the Community, of . . . economic and social cohesion and solidarity between member states." Thus does the European Community's draft treaty on political union define one of its main objectives. What do "cohesion and solidarity" mean? They mean money, a great deal of it.

The EC's budget will, in any case, have to be recast in 1992, which precedes the next five-year planning period. Although the review will culminate under the British presidency in the second half of 1992, this particular future is now. The Spanish government has warned that it might block the treaties to be discussed at Maastricht if they do not include a legally binding commitment to correct the way the EC's finances are managed.

So Mrs Thatcher's budgetary handbag is now being wielded by Mr Felipe González. The Spanish government argues that Spain was in 1989 and will be again by 1993 a net contributor to the budget, even though its gross national product per head is 78 per cent of the EC average. Meanwhile, Denmark and the Netherlands, two of the richest member states, are net recipients of budgetary transfers.

The principal reason for the anomaly lies on the expenditure side, with the policy the world loves, that for agriculture. In the draft budget for 1992, spending on the common agricultural policy still absorbs slightly more than half of total EC spending. Since the CAP is focused on northern commodities, it helps most the countries that are important exporters of such commodities.

Four sources

The problem does not, however, lie solely with EC expenditures. The EC's revenue, to be 1.2 per cent of EC gross domestic product next year, derives from four sources: agricultural levies (expected to be around 4 per cent of total revenue in 1991), customs duties (22 per cent), VAT (57 per cent) and a contribution related to shares of EC GDP (16 per cent). None of the first three is closely related to GDP.

Spain demands that the budget should be financed by progressive taxation. But what is needed is something still more radical. Net transfers need to be progressive. With a budget of roughly the current size, that would require changes not only in the patterns of revenue, but also in spending, with sharp cuts in – and total recasting of – the CAP. The CAP is, indeed, to be recast, probably on the lines proposed by the agricultural commissioner, Mr Ray MacSharry. But that reform would not lead to a swift reduction in the rate of increase in farm spending.

Progressive funding

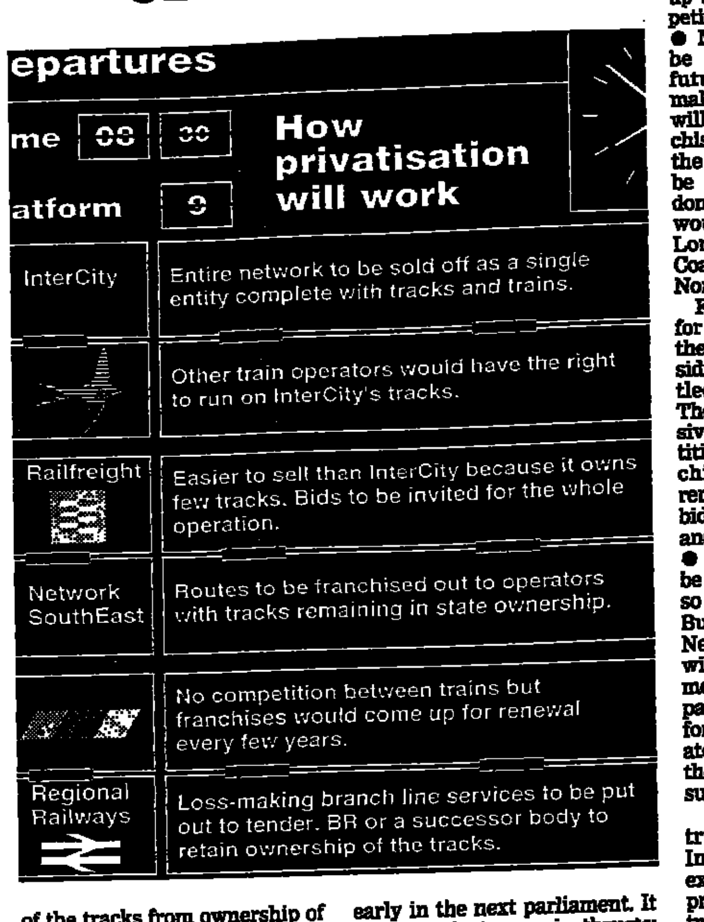
The only way the EC budget can be made more equitable is for it both to become substantially larger and to be funded in a more progressive manner. The Commission itself has been considering a budget of 1.6 per cent of EC GDP, above the current ceiling of 1.4 per cent. The proposed carbon fuel tax, which might raise more than Ecu 50bn (£37bn), is also a revenue source that would rise progressively with member state income per head.

The case for a larger budget is stronger even than this. If the EC is committed to narrowing gaps in incomes per head among member states, if it wishes to help ease the pain of inflationary convergence and budgetary consolidation in the countries of the south, if it recognises the obligation to finance costs imposed by the social charter, if it wishes to help poorer countries meet EC environmental standards and participate in "trans-European networks", it will have to offer more money. Since, in addition, it has responsibility for the states of the former Soviet Union and eastern Europe, a larger budget is an inescapable necessity.

Mr Helmut Kohl was the principal victim of Mrs Thatcher's budgetary handbaggings. But she merely wanted her money back. Mr González wants more money. Mr Kohl must know that Spain has a good case, just as he knows that the German piggy bank has been emptied by eastern Germany. But since he is himself the main source of the treaty on political union, Mr Kohl is hoist by his own petard.

Richard Tomkins on the government's plan to privatise British Rail

The end of the line



It is the end of an era for British Rail. Some 43 years since its foundations were laid with the nationalisation of the loss-making private railway companies in 1948, its role as a train operator is coming to an end.

If the Conservatives win the next general election, nationalisation will be reversed. No part of the railway will be untouched by privatisation. If BR has any function at all by the end of the next five-year parliament, it will mainly be that of a residuary body looking after tracks and the remaining property assets.

This is the essence of the government's plans for privatising BR. Last details will have to await publication of the white paper next month, but there are now few secrets left: the shape is clearly visible.

Finding a workable method of privatising BR has not proved easy. The intractable question with which successive transport secretaries have wrestled for years is: given the scale of BR's losses, who on earth would want to buy it?

Unlike other privatised utilities such electricity, water and gas, BR has little or no hope of ever turning in a profit because of its obligation to run loss-making services for social or political reasons.

In the year to March 1991, for example, the downturn in its fare revenues and property profits resulted in a doubling of the previous year's losses to £93.1m, even after a 20 per cent rise in government subsidies to £601.5m.

Not all BR's operations lose money, however. InterCity made operating profits of £50m before interest last year in spite of the effects of recession, and the usually-profitable Railfreight division dipped into losses of £54m.

The two most troublesome sectors are the two which rely on government subsidies: Network SouthEast, the London commuter operation, which lost £155m last year before government grants, and Regional Railways, the provincial train operation, which lost £503m before grants.

Neither of these has an attractive commercial future. Network SouthEast could become profitable by exploiting its near-monopoly for commuter transport and raising fares by 50 per cent, but the government will not allow this for political reasons. Regional Railways, cursed with the obligation to run a network of loss-making services that have been deemed to be socially necessary, will probably never make money.

Faced with this hopelessly unprofitable outlook, the government has ruled out the possibility of selling off BR *en bloc*. Ministers console themselves with the thought that an outright sale would have done no more than transform a public monopoly into a private one.

Any other solution inevitably involves a break-up. One suggestion was reverting to the structure of the pre-nationalisation regional companies – the Great Western, the London & North Eastern, the London Midland & Scottish and the Southern – but this was rejected because it would have created four loss-making companies in the place of one.

A stronger candidate among the break-up options was the notion of separating ownership of the tracks from ownership of the trains – the virtue of this approach being that it would increase competition by creating a level playing field for would-be train operators.

Mr Malcolm Rifkind, the transport secretary, has consistently opposed the idea of a national track authority, but he has now been forced to concede the principle in parts of his privatisation plan.

In part he is making a virtue of necessity. In opposing separation of tracks from trains, he had argued that 45 per cent of the cost of running a train service is attributable to infrastructure, and train operators would not accept the loss of control over such a high proportion of their costs. Yet this can be argued the other way too: for if 45 per cent of a train operator's costs can be stripped away and paid by somebody else, it becomes that much easier to find people ready to operate services which would otherwise lose money.

In the end, then, privatisation has turned into a hodge-podge, with different options being pursued for different parts of the railway. But ministers believe the result will be that most, if not all, BR's train operating functions will have been transferred to the private sector by the end of the next parliament.

The bill paving the way for BR's privatisation will appear early in the next parliament. It will contain two main thrusts: one, aimed at deregulating Britain's railways, and the other at privatising them.

Deregulation means the ending of BR's statutory monopoly over train operations. At present, other trains only operate on BR's tracks with its permission. In future, they will have the automatic right – though the cost of acquiring a train makes it unlikely that there will be a rush of new entrants other than on freight services, where there is believed to be considerable suppressed demand.

Deregulation also means setting up an official regulatory authority (a sort of "Ofrail" along the lines of Oftel, Ofgas and the other regulators of privatised utilities) to ensure that new entrants to the industry are charged fair prices for the use of BR's tracks and to prevent BR from shunting competitors' trains into sidings while its own fly past.

The second phase is privatisation itself – not through a ritzy stock market flotation of BR itself, but through a piecemeal sale or franchising-out of its train services. This is how it will work:

● **Intercity** is seen as a prime candidate for outright sale. Even under BR's stewardship it makes money. The whole network including tracks and trains will be offered for sale. One discouragement to potential buyers is that other operators will have right of access to InterCity's tracks. However, they will be a source of revenue to InterCity; and in any event, InterCity's bigger rivals are cars and planes.

● **Railfreight** could be sold even earlier than InterCity. The private sector believes it has massive potential and only does badly now because of management failings.

Railfreight has few tracks of its own so it will be heavily reliant on Ofrail to see that it is treated fairly. One drawback for buyers: other would-be railfreight operators are queueing up to enter the business. Competition could be hot.

● **Network SouthEast** cannot be sold in the foreseeable future because it does not make profits. Instead the state will own the tracks and franchise out train operations to the private sector. Services will be offered as routes: the London Tilbury & Southend line would be one franchise, the London Brighton and South Coast line another, the Great Northern a third.

Franchisees will have to pay for the use of the tracks, but the charge will reflect any subsidies to which they are entitled for keeping fares down. The franchises will be exclusive, so there will be no competition between trains: but franchises will come up for renewal every few years, when bidders will compete on price and quality.

● **Regional Railways** cannot be sold outright because it is so heavily reliant on subsidies. But in much the same way as Network SouthEast, its tracks will be owned by the government and private sector companies will be invited to tender for five-year contracts to operate services. The winner will be the one requiring the lowest subsidy.

This system is already well tried in the bus industry. Indeed, bus operators are expected to be among the the prime contenders for the contracts. They will not face competition once the contract is awarded; it would not make sense to compete with a heavily-subsidised operator.

Reactions to the government's plans are likely to range from glee to outrage. Between the two extremes will be those reserving judgment until it is satisfactorily explained who will be responsible for safety, whether fares will go up, and what the long-term implications are for line closures.

At an operational level, too, the questions will be myriad. How will an efficient level of subsidy be determined for loss-making services? If a privately-operated train breaks down and blocks the way of other owners' trains, will the other owners be entitled to compensation? How will competing train operators resolve battles over rights to train paths?

The biggest loser will undoubtedly be BR. Sir Bob Reid, the corporation's chairman, can only look with envy on his counterparts in other utilities who have sailed into the private sector with their empires intact.

Biggest gainers, the government hopes, will be rail-using voters, who may combine delight at the demise of one of Britain's most heavily-criticised institutions with hope that what follows will be better.

BOOK REVIEW

Courting disaster

"If a king declares that day has turned to night
Be sure to marvel at the moon's bright light"
Sa'adi

THE SHAH AND I: The Confidential Diary of Iran's Royal Court 1969-1977
By Asadollah Alam, edited by Alinaghi Alikhani
London: IB Tauris, £24.95

The Shah of Iran was one of the last contemporary monarchs to relish so visibly the trappings of kingship. He crowned himself on the Peacock Throne in regal splendour and celebrated 2,500 years of sovereignty against the spectacular backdrop of Persepolis, capital of the ancient Persian empire.

The pivot of the shah's court was Asadollah Alam, his minister of court for a decade from 1967. His diary, The Shah and I, is aptly named: Alam was far more than a humble courtier. He was one of the monarch's closest friends and the only man outside the shah's immediate family who dared to speak to him frankly.

Alam, who died in 1977, saw the shah on a daily basis, regularly accompanying him on holiday. He refers to the shah as HIM (His Imperial Majesty), three letters that loom large on every page.

Such access makes these diaries an important political document. They chart a path through the last decade of the Iranian monarchy in which the seeds of the 1979 revolution were sown, and form an absorbing account of the personality of the shah and his style of government, including the treatment of his ministers, and the petty intricacies of diplomatic protocol that dominated Iran's foreign relations.

His diaries show the extent to which UK, US and Israeli intelligence collaborated with Iran; they document Iran's sending of fighter aircraft to Vietnam, at the request of President Richard Nixon; and they indicate the existence of a sort of international monarchical helpline, of which the shah appears to have been the unofficial head, dispensing largesse from what Alam terms the "government's secret funds" to the ex-king of Albania, the ex-king of Afghanistan and the ex-king of Greece. Iran also supplied US F-5 fighters to King Hussein of Jordan, whose imminent fall from power Alam predicts at regular intervals throughout the book.

Several points stand out. The first is the extent to which the shah was convinced that the US and particularly the British, were seeking to undermine him. For example, Alam confirms that Iran's attempts to destabilise the Ba'athist government of its problematic neighbour, Iraq, were not limited to support for Iraqi Kurds. They extended to organising two coup attempts against Hassan al-Bakr's government. The first, in 1970, was thwarted by Saddam Hussein, then Bakr's deputy, and ended in a blood bath which the shah believed was caused by a British tip-off. The Ba'ath, he was convinced, were in the pocket of the British. He also believed that the US was behind the Arab oil boycott. American oil companies could only benefit, argued the shah, while those that suffered were the US's economic rivals, Europe and Japan.

Second, despite the popular image of the shah as the US's stooge, the relationship that emerges does not appear so clear. In 1974, the US sought to monopolise Iranian markets by getting Iran to agree to a Joint Economic Commission. The shah successfully resisted the pressure, commenting that "we mustn't end up an American colony like Saudi Arabia". Both Alam and the shah were proud of what they regarded as Iran's independence from the US – an irony when most Iranians resented what they saw as a sell-out of Iran's national interests to the west.

This difference in perception between the shah and his people is striking. Alam's diaries show that the shah's megalomania increased noticeably with the success of the quadrupling of oil prices in December 1973. By April 1974, the shah was telling Alam: "To be first in the Middle East is not enough. We must raise ourselves to the level of a great world power."

As the shah's ambitions increased, so did his isolation from his subjects and his distance from reality. He appears to have believed that he had created a welfare state, but Alam, catching a glimpse of poverty on the streets of Tehran, remarked that "the shah struggles day and night, confident that within a decade we shall have surpassed much of the developed world, yet no manner of wishful thinking can alter life in these streets".

For the most part, Alam is blindly devoted to his sovereign. However, he feels unease at the shah's refusal to allow wider political participation. "At every level, from parliament down to local and municipal elections, the government denies freedom to the people, imposing its own will and returning its own candidates as if the electorate had absolutely no say in the matter," he wrote in 1973.

In their Persian language edition, the diaries run to four volumes, and at 550 pages, the book still feels short in English. The introduction, written by the editor, gives the political background and details about Alam's own life. Each year is prefaced by a summary outlining the main events.

Scheherazade Daneshkhu

Life after Dunkel

■ With the Uruguay Round working towards a nail-biting climax, the international trade community has had little time to ponder the name of the likely successor to Swiss civil servant Arthur Dunkel, the head of Gatt.

One name that springs to mind is that of Lars Anell, Sweden's ambassador to the world trade body. But Scandinavian officials, normally so useful for their neutrality, may be excluded now that their countries are queueing up to apply for membership of the European Community.

In any case it is not clear what sort of Gatt Dunkel will leave behind. A successful outcome to the Uruguay Round would call for a successor with the international political clout to enhance the stature of the organisation. Such a candidate might be Mexican President Carlos Salinas, whose country has turned out to be a conscientious Gatt member.

But his term of office lasts till 1994, well after Dunkel's departure. The post will be a particularly unattractive backwater if the Round is a failure. Perhaps it should then go to an EC figure after all, like Ray MacSharry, EC Farm Commissioner, who would deserve to do penance for his part in undermining the world trading system.

OBSERVER

Oiling the waters

■ John Wakeham, Britain's energy secretary, promises me that there is no great significance in the fact that he was opening the posh London headquarters of Norway's Kvaerner conglomerate yesterday. However, some may disagree.

After all, Kvaerner is best known as the owner of one of Britain's two biggest merchant shipbuilders (Govan), so it might have been more diplomatic to ask Britain's industry minister to do the honours. Why ask the energy secretary? Could it have anything to do with Kvaerner's eagerness to take a bigger share of the UK offshore contracting business, now that Wakeham has ordered his Offshore Supplies Office to stop protecting the UK offshore contractors?

Wakeham says that the recent decision for the OSO to drop its detailed monitoring of orders was to head off pressure from Brussels rather than encourage the Norwegians. Even so some believe that he could have used the occasion to sound a bit tougher on Norwegian protection of its own offshore waters.

Ins and outs

■ Hannelore Rönsch, the German family minister, had the name plate on her office door changed last week. With the turn of a screwdriver she set off a chain reaction designed to confound male chauvinists and confuse everyone else.

The old plate, which read "Minister für Familie und Senioren" has been de-gendered and now says "Ministerium...". The minister thereby becomes a ministry, if you are still with me. Rönsch, however, will still be known as the Familien ministerin (-in is the feminine suffix), in case anyone might think Hannelore is a man's name. The building ministerin, Irmgard Schwaetzer, says she is going to do the same.

Nevertheless, it still seems there is some dispute in cabinet about whether such tinkerings with official titles and government property are permissible. Rainer Funk, state secretary (oh, dear) in the justice ministry, has welcomed the proposals to disengender official language as far as possible. But he had to draw the line at hyphens or obliques in cases like Kaüfer-innen (customers) where there is no handy neutral alternative.

Such usages, he said with no trace of a smile, would interfere with the lucidity of legal language.

"It's a photograph of my gold watch"

Fair game

■ Can Robert Atkins take a hint? There has been much grumbling among colleagues about the sports minister's lacklustre performance since his appointment a year ago. But Atkins, one of the less modest members of the government, never ceases to remind critics that he is a long-time personal friend of the prime minister.

Now Conservative Central Office has taken its revenge. The first question in its Christmas Quiz: Who is the Sports Minister?

Flack for flack

■ When EBRD president Jacques Attali meets the Queen today, Graham Watson, his chief press officer, will not be at his side. Watson, who used to run Sir David Steel's private office when he was leader of the Liberal party, has jumped ship after only four months in the job.

The comings and goings of pr flacks is not normally worthy of attention, but in Watson's case it could say something about Attali's management style. By all accounts Watson, an expert linguist, was doing a good job overcoming the media's initial scepticism about the bank. His abrupt departure confirms the general City suspicion that working with Attali was never going to be easy. It will be interesting to see where Watson's replacement comes from.

Inflationary

■ The mystery of why Brazilian shops sell a pound of best filet mignon for the same price as a packet of butter, or a hairbrush for the same as a small sofa is at last resolved.

A survey by KPMG Peat Marwick Dreyfus has finally revealed the secret of how Brazilian manufacturers decide on their prices. It seems that the most important factor for 80 per cent of companies is government measures. The actual cost of production comes way down the list with little more than a quarter of companies surveyed considering this to have any relevance to their calculations.

The Brazilian Banking Association has a simple explanation for this apparently irrational behaviour. Its latest report shows that in the past decade Brazil has suffered eight stabilisation plans, 15 wage policies, 54 attempts at imposing price controls, 18 exchange rate policies and 11 changes in the way the government measures inflation.

Clean deck

■ Seen on the side of a plumber's van in New Orleans:

A straight flush is better than a full house.

Barry Riley argues that the safeguards put around pension funds must be made more effective

Weak links in heavy chains

Members of various pension schemes within the crumbling Maxwell empire have had some of their worst fears confirmed within the past couple of days. The assets of those funds may have been spirited away.

But how could it have happened? Surely the pension funds of British companies are set up with comprehensive legal safeguards? The elaborate separation of pension scheme assets within trusts, under the control of trustees, and safeguarded by their own lawyers, auditors and consulting actuaries, is designed to immunise pensioners from the problems of the sponsoring company.

Leading pensions professionals insist that by and large funds are safe. But a top consulting actuary admits that they are "not totally fireproof against fraud".

A leading pensions lawyer says: "At the end of the day you can't stop a real rogue getting away with it, no matter how much law you put in place".

Existing procedures are designed to prevent honest people from committing inadvertent blunders through ignorance or imprudence, and they also serve to make it difficult for less scrupulous characters to cut corners and misuse funds. But several small scandals in the past year or two have made it clear that the potential for much bigger disasters exists. And of course, if you are a member of a bankrupt scheme it does not matter to you whether the vanished fund was small or large, because your personal distress is the same.

This kind of agony was suffered early this year by the 140 members of the pension scheme of Farr, a failed Wiltshire construction company. Investigations showed that the £3m assets of the pension scheme had disappeared: £1m had been invested in Farr shares, which had become worthless, and the other £2m had been lent directly to the company, which of course could not repay. The nine retired members had their monthly pension cheques stopped.

According to Mr Cedric Clapp, an insolvency partner of the accountants Ernst & Young, who is an independent trustee of the scheme, upwards of £300,000 has now been recovered through a Department of Employment guarantee scheme and through action against a former Farr director. The pension payments have been resumed for the time being. But the overall outlook for members remains bleak.

Pension schemes in the UK are organised under trust law. There have been arguments from time to time over whether laws which were originally devised to control private family settlements are really suitable as the legal framework for billion-pound occupational pension funds with thousands of beneficiaries. However, generally speaking there have been few problems in practice.

With small schemes the assets are often directly under the control of the trustees. Two and sometimes three signatures are normally required before assets are transferred. Trustees must act in the interests of beneficiaries, and they have a duty to consult and obtain each others' agreement. When schemes are larger a corporate trustee company is often created, but its directors have similar responsibilities to those of individual trustees. Control of the assets is commonly delegated to external fund managers, who in turn may place the securities with external custodians.

Procedures may be inadequate if a powerful individual is determined to raid the fund's assets

Pension lawyers have developed patterns of best practice, and may recommend further safeguards, for instance that securities must be registered in the name of the fund rather that just in the name of external nominees. Trustees should be drawn from different interest groups within the company, including pensioners and possibly outside representatives too. The concept of professional independent trustees is being developed.

The trouble is, such procedures are voluntary and may be inadequate if one or two powerful individuals are determined to raid the fund's assets. Typically this is most likely to happen when a company is about to collapse and the executive directors, who are also likely to be trustees of the pension scheme, are desperately searching for funds to keep the company afloat.

At the very least, the Maxwell affair is likely to provoke a lot of trustees into asking about the security of their own funds at their next quarterly meetings.

There could also be a near-term legislative impact in the shape of new curbs on self-investment by pension funds in their own sponsoring company or its associates. This is generally frowned upon, and has been at the core of the Farr and Maxwell scandals, but is still quite legal.

Possibly this will not remain true for long, however. The Department of Social Security is due to issue regulations under the Social Security Act 1991 restricting self-investment, and the National Association of Pension Funds is now expecting the final form to be tougher than when a draft version was circulated a few months ago.

Banks may be deemed to have a duty to exercise due diligence in assessing asset ownership

Mr Clive Gilchrist, chairman of the NAPF's Investment Committee, points out that the rules have so far only referred to quoted securities, which could be limited to 5 per cent of a fund. But funds may also lend money to their sponsoring companies or buy property occupied by them. "The government must now appreciate that self-investment is not just investing in shares," he says.

In future, therefore, it could be illegal for pension funds to lend money or securities to a parent company. But it is not clear that any breaches would have other than purely technical consequences, for instance in relation to contracting-out from the state scheme.

Other layers of protection may exist even after the assets have been siphoned out of the fund. Institutions such as banks and insurance companies may be deemed by the courts to have a duty to exercise due diligence in assessing the ownership and deployment of assets.

For example, after another scandal broke in 1988 over the disappearance of assets from the pension fund of Aveling-Barford, the Grantham engineering company, Royal Life Insurance agreed to pay £5m to fill the gap.

Most of the fund's assets had been switched into an insurance bond on inappropriate terms which allowed the broker involved to strip out a £3m commission. Royal accepted that it should have taken more care over the behaviour of its agents, but the liability was never tested in court.

As for the Maxwell case, if securities were indeed transferred to banks as collateral for loans to the Maxwell private companies the question is whether those banks should have been more careful in checking on the ownership of those assets.

Whoever authorised the transfers – presumably Robert Maxwell himself, either alone or with associates – could not have been acting in the interests of beneficiaries and may also, pension lawyers say, have failed to obtain the agreement of all the trustees to major transactions. Such behaviour could amount to a breach of trust.

Actions against the trustees concerned might not be very fruitful. On the other hand, it could be argued that they were acting *ultra vires* in which case the transactions could be declared null and void, and the courts could require the assets to be returned to their rightful owners.

This is all conjectural, and the precise implications will depend on how the "borrowing" of stock was carried out. If the Maxwell private companies go into liquidation and the banks refuse to give up their securities, pensioners in the Mirror and other funds might be badly hit. At the very least there will be a bitter legal campaign to regain the assets.

Experts argue, however, about the scope for improving protection. Complete security would be enormously expensive to obtain. "There's no shortage of law. The problem is with the enforcement of it," says Mr John Quarrell of solicitors Nabarro Nathanson.

An open and shut case of competition

Confusion over Sunday trading in the UK may persist for some time, writes **Robert Rice**

Mr Richard Branson, chairman of the Virgin group, has a robust, if somewhat unusual, view of Britain's Sunday trading laws. It is not his chain record stores which is breaking the law by opening on Sundays, he says, it is those who try to enforce Sunday closure.

His reasoning is straightforward: Britain has been in the European Community since 1972; the Treaty of Rome guarantees freedom of trade; and EC law takes precedence over national laws which conflict with it. "People forget we are in Europe," says Mr Branson. "We wouldn't be opening on Sunday if we thought we were breaking the law."

He is not alone in this view. It is the argument used by Kingfisher, owner of the B&Q do-it-yourself chain, the main protagonist behind the assault on Sunday trading laws.

But if the legal position is so clear-cut, why are other retailers confused? Why has the House of Lords, Britain's highest appellate court, referred the question of the compatibility of Britain's 1950 Shops Act with EC law to the European Court twice since 1989?

Mr Branson's answer is that it is mainly food retailers which are confused over Sunday trading – not Virgin. Virgin's position is different, he argues, because it sells a "substantial" amount of goods on Sunday, a significant percentage of which is imported from other EC states, principally from Germany.

Sunday is Virgin's second busiest day of the week after Saturday, accounting for 25 per cent of weekly takings. Where Virgin stores have been forced to close on Sunday – as they were in France recently, where retailers are also confused about their legal position – those 25 per cent of weekly takings disappeared. They were not made up during the rest of the week, says Mr Branson.

He maintains, therefore, that any British law preventing Sunday trading has the effect of restricting trade between EC member states, which contravenes Article 30 of the Treaty of Rome.

Though Mr Branson feels his case is a strong one, it could be argued that he has jumped the gun by not waiting until the European Court has ruled for the second time on the compatibility of Britain's Shops Act with EC law.

The sole question put by the House of Lords to the European Court in 1989 was whether the Shops Act contravened Article 30, which prohibits any restriction of imports between EC states. By banning Sunday trading, many retailers argued that the act effectively reduced the volume of EC imports into the UK.

The court said in reply that the validity of the English Sunday trading law depended on the resolution of two crucial questions: first, whether it pursued a legitimate objective, justified under Community law; and second, whether it was more draconian than necessary to achieve its aim.

In answer to the first question, the European court ruled that the protection of shop workers from being forced to work on Sunday was a legitimate objective. To the second question it ruled that if the protection of workers could be achieved by means other than a Sunday trading ban, then the Shops Act was too draconian. c

The interpretation of these complicated rulings was, however, left to the UK courts. They in turn were left in a state of confusion. Some felt shop workers could not be protected without a Sunday trading ban; some felt they could.

Britain's law lords have now asked the European Court for further clarification. Until the court replies, however, it is still a criminal offence under the Shops Act to trade on Sunday in Britain.

This could remain the case until well into 1993. When it does finally consider the matter, the court may still not resolve it in a way that allows the UK government to avoid further legislation. The court is almost certain to demand that some protection for Sunday workers remains in place, however. Separately, there have also been suggestions that the EC, under its Social Action Programme, might decide to regulate Sunday working in line with German practice – although such proposals have thus far been much diluted.

German rules on Sunday trading are at present the most restrictive in Europe. Retailers are forced to close on Saturday afternoons as well as on Sunday. France is slightly less restrictive but even there Sunday trading is broadly outlawed and some stores are also required to stay closed on Monday mornings.

Retailers in the UK have reacted in different ways to the current impasse. Some trade on Sunday, some do not. Mr Alistair Grant, chairman of Argyll, owner of the Safeway supermarket chain, says that despite the success of Safeway stores opening in Scotland on Sunday – where trading is legal – he "would rather not" do so in England and Wales while it remains against the law. But he says competitors such as Budgen, Asda and Gateway have forced his hand and he has no choice but to open on Sunday.

Mr Geoffrey Maitland Smith, chairman of Sears, owner of Selfridges, Dolcis and the Olympus sportswear chain, ostensibly falls into the group of retailers, including Marks and Spencer, C&A and the John Lewis partnership, which is opposed to breaking the law. But he admits that his handful of out-of-town stores opens on Sunday when there is a competitive advantage.

Ultimately, the retail chairmen agree that they cannot afford to wait for the European Court ruling while rivals take advantage of the uncertainty. They feel that the legal mess is one for the UK government to sort out, and until then they will continue to trade on Sunday.

As a Tory supporter Mr Grant finds his position difficult. "If the government came to me and said: 'We hate what you're doing, will you agree to a voluntary ban on Sunday opening from the end of December?' I'd probably say 'yes', provided they could guarantee it covered all the large-scale food retailers. I haven't been asked to stop, but to be honest, if Mr Major rang up and asked me, I think I would stop tomorrow."

LETTERS

Danish factor in EC debate

From Prof Drude Dahlerup.

Sir, With reference to your story, "EC ministers step up search for Maastricht deal" (November 30), one of the crucial problems with EC integration is the lack of a common public debate (*öffentlichkeit*).

Is it at all possible to establish a democracy in a federal state of 320m people who speak different languages and do not read the same newspapers? In all EC countries the newspapers mostly report what their own politicians say about the EC. That is why all European leaders after the Maastricht summit probably will be able to go home announcing that "we won."

In my country, the new Union Treaty is also subject to much public debate now. The government and opposition have agreed that a referendum is to be held, probably in September 1992.

According to all opinion polls, the majority of Danish voters today oppose giving more power to the EC on almost all of the proposed issues. So a long and bitter dispute is ahead. Denmark may be the only EC country in which a referendum will be held. The outcome is, however, important to all member states since the treaty must be ratified by all member states in order to come into effect.

Drude Dahlerup,
Institute of Political Science,
University of Aarhus,
Denmark

Where Maxwell should elicit no surprises

From Mr Rodney Leach.

Sir, Your correspondents, Bronwen Maddox and Richard Gourlay, say, "The way in which the Maxwell private interests were intertwined with the fate of the public companies is something that would have been hard to glean from any publicly available document" (UK Company News, November 3). Not so.

One of the reasons why the sale of Pergamon to Leasco was called off in 1969 was the relationship between various Maxwell companies and Maxwell private interests. The other reason was creative accounting.

Both these reasons were made available to the public in a variety of documents including a Board of Trade enquiry whose eminent authors concluded that Mr Robert Maxwell was not fit to be the steward of a public company.

Twenty years later, the same old secrecy, conflicting interests and flattering presentation of figures have surfaced again, the difference being that the numbers involved are now in the hundreds rather than the tens of millions.

But there can be no possible excuse for surprise among bankers, accountants, professional advisers or institutional investors.

Rodney Leach,
3 Lombard Street,
London EC3V 9AQ

Afternoon post not acceptable

From Mr Jeremy Cockayne.

Sir, In your report about the Post Office's plans for abandoning second deliveries to "domestic addresses" and bringing us the milk and papers along with the mail ("Plan to parcel up home deliveries", November 3), you mention that the Consumers' Association believes that cutting out the second postal delivery might be acceptable. I sincerely hope they'll do a bit of research on the subject before pronouncing any further on it.

The point of eliminating second deliveries is to allow the one and only delivery to be staggered throughout the day – thus enabling the Post Office to cut staff costs. But staggered mail deliveries implies that, for a significant proportion of us, it will be well into the afternoon before we get our post.

For a great many people – including the thousands of home-based small businesses for whom prompt communication by post is still important – afternoon deliveries will, I suggest, definitely not be acceptable.

Jeremy Cockayne,
23 St Paul's Square,
York YO2 4BD

A charter for tax forms

From C Stephenson.

Sir, It is encouraging to read ("Inland Revenue boosts evasion income to £3.9bn, November 30) that in response to the government's Citizen's Charter the Inland Revenue is to publish targets of the time in which it is to respond to letters and that tax forms are being redesigned. It is to be hoped that this will result in a more businesslike approach to dealing with taxpayers' correspondence speedily, and that the current slipshod practice of holding replies undated until posted will be abandoned. In addition, the Tax Notice 900 (Coda) – used for other sources of income not assessed under Paye which involve convoluted calculations and which cause irritation – should be redesigned.

The appropriate form should show comprehensible computations of the various sources of income in the same order to that reported on the tax return with the appropriate allowances and any tax due or overpaid. These reforms are long overdue and would not only improve efficiency but also improve public relations with taxpayers.

C Stephenson,
1 Broadfern Road,
Knowle, Solihull,
West Midlands

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Copiers: anti-dumping, technology and the Japanese connection

From Messrs Patrick A Messerlin and Yoshiyuki Noguchi

Sir, Mr Bernard Fournier made statements in his letter (November 16), that are so incomplete as to be misleading.

First, he stated that low-priced imports from Japan have forced EC producers to give up the manufacture of copiers. But he did not state that the official anti-dumping investigation has shown that EC copier-makers have been repeatedly investing in the wrong technology, and that they have failed to develop small copiers based on the plain paper technology pioneered by Canon, not Xerox.

Second, Mr Fournier wrote that "the anti-dumping duties have contributed to a viable European copier industry". How viable? He provided figures on employment, but was silent about the market share of the four complainants – in their capacities as producers – which has slumped from 13.8 per cent in 1981-85, to 12.4 per cent in 1988-89 and 10 per cent in 1990, despite the high anti-dumping measures of 1986 and 1988, and close monitoring by the Commission.

Or does "viable" refer to the increasing market share of the complainants – *in their capacities as distributors?* Does the silence of Mr Fournier mean that a Japanese-made coper is "European" as soon as it is sold by Xerox?

Last, Mr Fournier stressed that "Xerox plants were thoroughly investigated by the Commission and the local content of products determined". True. But, again, he omitted to mention that the Commission found that the British plant was using "parts originating predominantly in Japan". In Japan-bashing jargon, this is a screwdriver plant.

How then did Xerox escape anti-circumvention measures? Because "the operations (in this Xerox plant) were not substantially increased after the opening of the anti-dumping investigation" (EC Official Journal, 1988: L284). Thus Xerox was protected by anti-dumping duties in 1986, in order to build a "European" production base. Then the Xerox screwdriver plant escaped anti-circumvention measures in 1988 because Xerox failed to build a European production base.

Mr Fournier's reply raises three questions. Is what is good for Xerox – a self-proclaimed European – good for the Community? Is a "European" company any large one of old standing? Does industrial policy consist of making errors of judgment, then distorting regulations to hide the errors? Competition policy must provide the answer.

Patrick A Messerlin,
Institut d'Etudes Politiques, Paris,
Yoshiyuki Noguchi,
Nomura Research Institute, Tokyo

FINANCIAL TIMES
Thursday December 5 1991

Hope rises for two Germans as final US captive Terry Anderson is freed in Lebanon

Hostage crisis nears end with latest release

By Our Middle East Staff and Quentin Peel in Bonn

MR TERRY ANDERSON, the longest-held western hostage in Lebanon, yesterday became the third and final US hostage freed in as many days, signalling the end of the decade-long hostage crisis.

Hopes rose in Bonn, meanwhile, that the two remaining western hostages, the German aid workers Mr Thomas Kemptner and Mr Heinrich Strübig, would also be released soon.

Mr Anderson, the chief Middle East correspondent for Associated Press, who was held captive for 2,454 days by Islamic Jihad, the Iranian-backed group, also endured a confused and lengthy release.

His release was announced in Beirut at 10am local time but US diplomats were still awaiting his arrival last night in Damascus after his convoy was apparently delayed in the Bekaa valley by snow on the road to the Syrian capital.

Mr Javier Pérez de Cuéllar, the UN secretary-general, said Mr Anderson was in Syrian hands. He hoped Mr Anderson would arrive in Damascus sometime during the night and said the delay was a "technical problem".

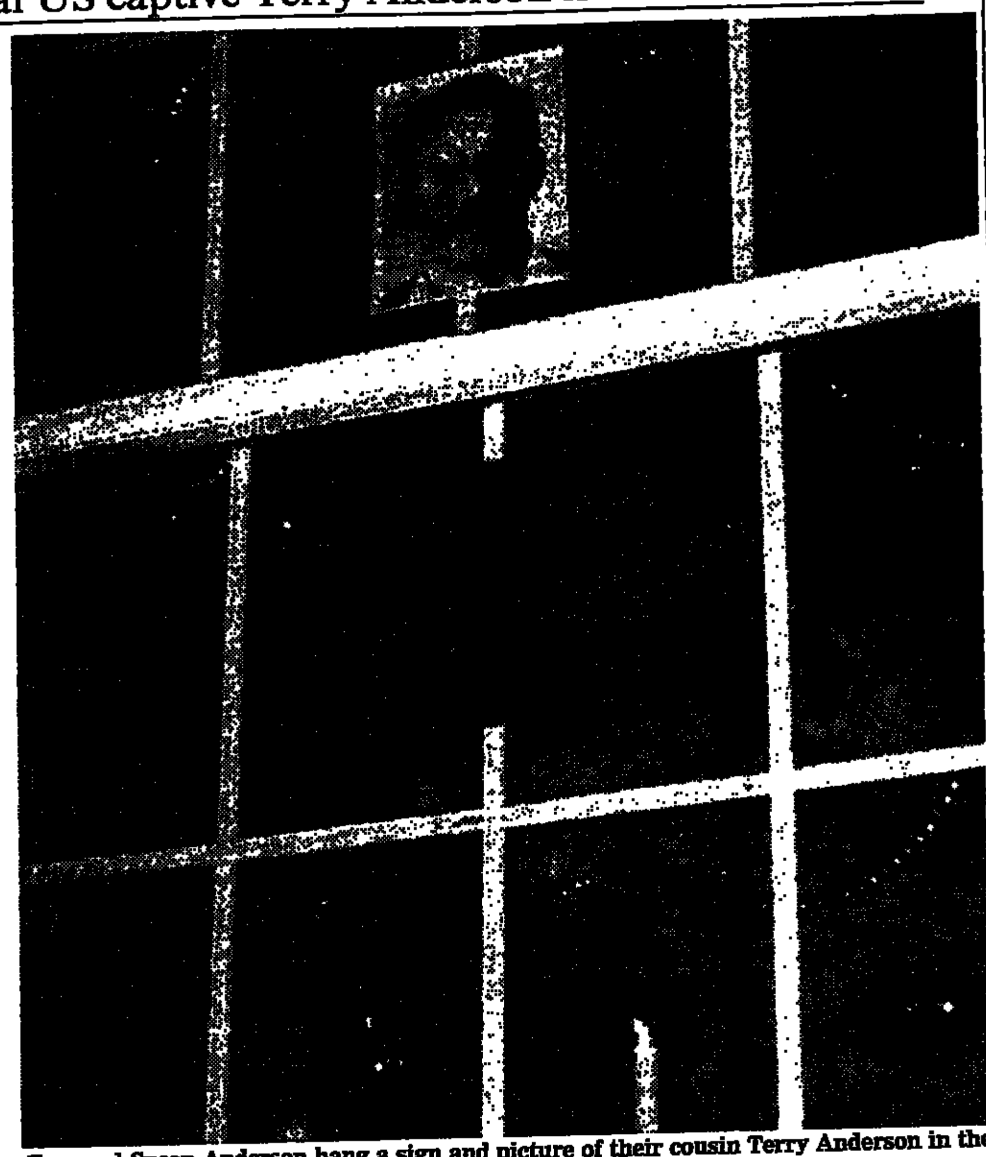
Mr Anderson's release follows that of Mr Joseph Cicippio and Mr Alann Steen on Monday and Tuesday after the intensive diplomatic brokerage of Mr Giandomenico Picco, the UN special envoy.

Mr Pérez de Cuéllar said he was still working to release the two Germans held by Lebanese kidnap groups. Germany holds two Lebanese brothers, Mr Mohammed Ali and Mr Abbas Hamadi, convicted on charges related to terrorism, who the kidnappers have demanded be released first. Bonn remains adamant that it is not prepared to do a deal.

"I am working on it, and I hope that I could find some resolution, perhaps, in one or two weeks, no more than that," said Mr Pérez de Cuéllar.

Mr Hans-Dietrich Genscher, the German foreign minister, will meet Mr Picco in Bonn today on his return from the Middle East. A Foreign Ministry spokesman reported further "positive signs for an early release" of the two men after direct contacts between Mr Genscher and the authorities in Tehran and Damascus.

The remaining pieces of the jigsaw will fall into place when Israel receives four servicemen – or their remains – who disappeared in Lebanon during battles with Syria in 1982.



Tom and Susan Anderson hang a sign and picture of their cousin Terry Anderson in the window of their home in Valley Stream, New York, yesterday

Figures for third quarter will help bank fight off interest rate cuts

Japan's economy grows by 4.2%

By Stefan Wagstyl in Tokyo

THE Japanese economy performed more strongly than expected in the third quarter of this year, posting a 4.2 per cent increase compared with the corresponding three months in 1990, according to figures announced yesterday.

The data published by the government's Economic Planning Agency indicates economic growth is continuing to slow gently but not as rapidly as some Japanese business leaders have feared.

The report will help the Bank of Japan fight off demands for further swift cuts in interest rates.

Nevertheless, central bank officials are concerned that businessmen seem to be more pessimistic than the current data would warrant – indicating that industry is worried that a sharper decline is just around the corner.

Mr Yasuo Katsumura, deputy general of the EPA, said yesterday the government remained committed to its growth target of 3.8 per cent for the financial year to next March – a goal some private sector economists regard as unattainable.

They point to the fact that the rate of growth is slowing, with the economy expanding by just 0.4 per cent in the third quarter over the previous quarter – an annualised rate of just 1.6 per cent, compared with 2.8 per cent in the second quarter and an unusually high 11 per cent in the first three months of 1991.

Mr Katsumura said the figures showed the economy was in transition from a very strong expansion, that could almost be described as overheated, to a more moderate but sustainable growth rate.

External demand was very slightly down on the previous quarter – a tribute to the resilience of Japanese exports, which, despite the slowdown in main markets, grew 2.1 per cent. Imports rose by 2.5 per cent, but domestic demand grew by just 0.4 per cent.

The growth figures were the lowest since the second quarter of 1989, but some economists had been expecting the economy to shrink slightly compared with the previous quarter.

The last time the economy declined for a quarter was in 1986. The only time Japan has seen two successive quarterly declines was in the last quarter of 1974 and the first three months of 1975, following the first oil shock.

Meanwhile, figures supplied by the finance ministry confirmed the continuing strength of external demand.

The current account surplus grew in October to $6.73bn, more than double the $2.69bn recorded in the same month in 1990. Exports increased by 6.2 per cent, while imports dropped 13.1 per cent, due mainly to a decline in oil prices.

For the first month since June, however, the outflow of long-term capital exceeded the flow into the country, as Japanese investors sought to buy foreign bonds in anticipation of interest rate reductions at home. Purchases of foreign bonds totalled $14.3bn, compared with $1.9bn in September.

The capital inflow figure was boosted by a sharp increase in the repatriation of the proceeds of bonds issued in the Euromarkets by Japanese companies – from $649m to $5.4bn.

Brittan hits at EC car makers' monopolies

By Andrew Hill in Brussels and John Griffiths in London

EUROPEAN car makers' efforts to freeze out intermediary companies offering to supply cars at cheaper prices across Community borders, took a knock yesterday from Sir Leon Brittan, the EC competition commissioner, and raised a question over the issue of manufacturers' exclusive dealerships in the EC.

Sir Leon rejected a complaint by Peugeot of France that Ecosystem, a Rouen-based intermediary, was actually reselling on the open market in France cars bought in Belgium and Luxembourg. Peugeot had ordered its dealers in those countries to stop supplying Ecosystem.

By upholding the right of intermediaries to import cars on behalf of individual customers, Sir Leon signalled his desire to end EC car manufacturers' exclusive dealerships. Brussels warned the French car maker that it would lift the protected status of its dealerships in the two countries if its ban was not withdrawn within two months.

The activities of the intermediary companies form part of a growing controversy over differential car prices inside the EC. Research ordered by the EC Commission itself, and now in the hands of EC competition officials, shows that car prices in the UK, for example, are up to 30 per cent higher – and up to 80 per cent higher on a pre-tax basis – than in some other EC markets.

The still-confidential research says car pricing structures in the EC are so complex that they are impossible for private, or business, consumers to unravel.

It calls for manufacturers to be obliged to produce certain standardised "reference" models, the prices of which would be denominated in European Currency Units (Ecus).

Sir Leon, who has to tread a difficult political line between the desires of protectionists and liberals in the sensitive car sector, yesterday also sought to clarify the intermediary system by laying out, in effect, a code of acceptable buying and marketing practices.

The commissioner was careful not to imply a threat to the existing 10-year agreement – lasting until 1995 – which grants exclusive dealerships block exemption from EC competition rules.

German car market, Page 10
Green pressure, Page 11

Hurd more optimistic about EC treaties

By Robert Mauthner and Philip Stephens in London

THE PROSPECTS for an agreement on new monetary and political union treaties at next week's European summit in Maastricht have improved, but the outcome is by no means a foregone conclusion, Mr Douglas Hurd, UK foreign secretary, said yesterday.

"I believe that everyone will go into the room wanting it [the conference] to be successful," Mr Hurd said in an interview with the Financial Times. "I don't think anyone will want it to fail. But it will still be a formidable task."

A substantial number of secondary matters had been cleared up at the meetings in Brussels over the past few days. But there had been no breakthrough on leading issues.

Somewhat surprisingly, Mr Hurd played down the importance of the phrase "federal goal" in the preamble of the Dutch text, which most member countries now agree should be replaced by less controversial wording.

Although stressing that "in our judgment, it will have to go", Mr Hurd said this was not the most important point that needed to be settled. The political union treaty was not "a federal text" – it was in a document which dealt essentially with intergovernmental co-operation.

Nor did the foreign secretary take too seriously reports that Britain's partners would exact a heavy price for removing the famous "f" word from the treaty. The negotiations did not involve a trade-off between one point and another, but an overall accord on a whole host of issues, which would "come together" at the end of the bargaining process.

Among the six or seven major problems which remain to be solved by the heads of government in Maastricht, Mr Hurd identified the social chapter of the political union treaty as one of the most intractable.

But he was more optimistic about the chances of reaching an agreement on a new European "defence identity".

Mr Hurd had been encouraged by a statement by Mr Roland Dumas, the French foreign minister, apparently accepting "the independence" of the nine-nation Western European Union, within which European defence policies would be co-ordinated. France, however, still wants the WEU to have close links with the European Community.

"What we want to avoid is that the WEU should be subordinate to the European Community, to become just its creature," Mr Hurd said. But Britain would, of course, accept the fact that the WEU would be "influenced" by the security policy decisions of both the European Council and Nato, as long as it remained free to reject that "advice".

On a common foreign policy, Mr Hurd stressed that Britain still wanted an additional safeguard clause to allow individual states to reverse the implementation of joint action, if it considered the situation affected its vital interest.

Modest recovery, Page 2
Britain's pulse misses, Page 8

Pan Am gives up fight

Continued from Page 1

funding.

Yesterday Mr Russell Ray, who has been Pan Am's chief executive for just two months, said of Delta's decision: "I am especially distressed that this effort has failed after our labour leaders and employees have demonstrated that they were willing to make sacrifices to keep the company operating. Today, we see the end of an airline whose name will be forever forged in American history."

Pan Am was created in the late 1920s and built up by Mr Juan Trippe, a banker's son. He quickly accumulated a formidable route network in South America, employing Mr Charles Lindbergh as a technical adviser, and subsequently pioneered US air travel to the Far East.

For years, Pan Am remained the dominant US carrier offering international travel, and in the mid-1950s it led the introduction of the "jet age".

However, in recent years, it had made heavy losses, and only a succession of asset sales kept it afloat. Consumer confidence in the airline also ebbed as it became a target for terrorist attacks – in particular the Lockerbie bombing.

Maxwell fraud inquiry

Continued from Page 1

in their loans expires then.

The Maxwells have had talks with Arthur Andersen, with a view to a partner of the accountancy firm becoming the receiver. His job would be to organise an orderly disposal of the family's assets, recently valued at just over £1bn.

Most of the proceeds would be used to repay banks, which are owed an estimated £900m.

The pension funds would rank behind the banks in any winding up. They are owed £400m and could receive next to nothing.

MCC, which is owed about £240m, and MGN, which is owed £45m, also rank behind the banks in loans they have made to the private companies. When MGN came to the stock market in May, its merchant bank, Samuel Montagu, said a "ring fence" had been put around it preventing flows of cash to the private companies.

In the summer, however, MGN instructed a company connected to private Maxwell interests to invest its spare cash in gilt-edged stock. About £45m was paid but the gilts have not been found. Mr Charles Wilson, an MGN director, said the board did not authorise the transaction.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	15	59
Algiers	S	20	68
Amsterdam	C	4	39
Athens	S	14	57
Bahrain	S	26	79
Bangkok	F	32	90
Barcelona	S	14	57
Beirut		-	-
Belfast	C	7	45
Belgrade	Fg	-1	30
Berlin	C	4	39
Biarritz	S	11	52
Bombay	S	33	91
Bordeaux	S	6	43
Boulogne	C	1	34
Brussels	C	1	34
Budapest	C	1	34
Buenos Aires	C	25	77
Cairo	S	18	64
Cape Town	S	23	73
Caracas	C	28	82
Casablanca	R	15	59
Chicago	Sn	-15	5
Cologne	C	1	34
Copenhagen	C	9	48
Corfu	S	14	57
Dallas	F	4	39
Dublin	C	7	45
Dubrovnik		-	-
Edinburgh	S	4	39
Faro	C	14	57
Florence	S	7	45
Frankfurt	C	1	34
Geneva	C	1	34
Gibraltar	C	15	59
Glasgow	C	3	37
Helsinki	C	1	34
Hong Kong	S	21	70
Innsbruck	S	1	34
Inverness	C	7	45
Islamabad	C	17	63
Istanbul	F	8	46
Jakarta	R	30	86
Jersey	F	2	36
Johannesburg		-	-
L. Palmas	F	22	72
Lisbon	S	13	55
London	C	7	45
Los Angeles	S	13	55
Luxembourg	C	-1	30
Madeira	C	19	66
Madrid	F	11	52
Majorca	F	16	61
Malaga	C	15	59
Malta	R	15	59
Manchester	C	5	41
Manila	F	30	86
Melbourne	F	16	61
Mexico City	C	25	77
Miami	R	20	68
Milan	Fg	-1	30
Montreal	S	-10	14
Moscow	Sn	1	34
Munich	Sn	-3	27
Nairobi	F	25	77
Naples	S	13	55
Nassau	F	29	84
New Delhi	S	23	73
New York	C	5	41
Nice	S	13	55
Nicosia	C	15	59
Oporto	S	14	57
Oslo	S	6	43
Paris	C	0	32
Peking	S	6	43
Prague	C	0	32
Reykjavik	R	6	43
Rhodes	S	14	57
Rio de Janeiro	F	33	91
Rome	S	12	54
Salzburg	C	-2	28
San Francisco	S	6	43
Seoul	C	7	45
Singapore	R	24	75
Stockholm	C	2	36
Strasbourg	C	0	32
Sydney	F	26	79
Taipei	F	24	75
Tangier	F	17	63
Tel Aviv	R	12	54
Tenerife	F	21	70
Tokyo	S	15	59
Toronto	Sn	-11	12
Tunis	F	15	59
Valencia	R	13	55
Venice	Fg	0	32
Vienna	C	0	32
Warsaw	Sn	0	32
Washington	F	4	39
Zurich	C	0	32

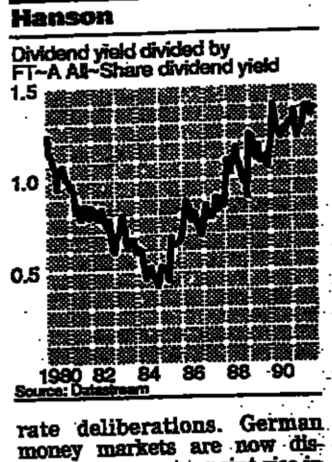
Temperatures at midday yesterday C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

THE LEX COLUMN

Mirror still in one piece

FT-SE Index: 2,423.8 (+3.6)

Hanson



On the basis of the Maxwell revelations to date, it is time to ask what the Mirror Group might still be worth. The question is doubly important: to the banks who hold Mirror shares as collateral and to the outside shareholders who have £250m tied up in the company. The tentative answer is a tribute to the company's robustness. It would appear that half the Mirror's pension fund assets of £520m have vanished, turning a £150m surplus into a £110m deficit. Had this been the case last year, an £8.5m pension credit would have been turned into a charge against profits of perhaps £13m. In addition, let us assume that the £45m loan made by the Mirror to the Maxwell private side is a write-off, producing an interest charge of around £6m. The combined annual profit reduction of £27.5m is equal to just a third of Mirror Group's pre-tax profits last year.

To a business with the Mirror's steady cash flow, that is by no means fatal. But a mere one-third fall in the share price is scarcely to be hoped for. The market is bound to be wary of fresh horrors. It will also reflect that, since any prospective buyer of the Mirror will be equally wary, the immediate bid hopes which drove the shares up before their latest suspension may prove premature. On the other hand, some of the lost money may prove recoverable. Even if the share price were to halve from its suspension price of 125p, it would be in welcome contrast to the rest of the empire.

The idea of a white knight plunging in to buy Maxwell assets from the private side before its Friday deadline looks ever less plausible. The risks are simply too great compared to buying at leisure from the receiver. As for Maxwell Communication, it has little of the Mirror's ability to withstand its own losses of cash and pension fund assets. If the private side goes, it would be unwise to assume that MCC shares are worth anything at all.

Currencies

Moscow's formal request for a commercial bank debt rescheduling and worries about Mr Gorbachev's future weakened the D-Mark yesterday afternoon. Yet exchange markets cannot ignore the weakness of the US economy underlined by yesterday's downward revised 1.7 per cent third-quarter growth rate. Nor is the Soviet turmoil likely to make much difference to today's Bundesbank's interest rate deliberations. German money markets are now discounting a quarter-point rise in the Lombard rate, the only question being whether it will come before or after the Maastricht summit.

As for the US, tomorrow's unemployment figures could heighten expectations of a fresh monetary easing, which would widen still further the interest differential with Germany. The fundamentals still point to a weak dollar.

Bass

Happily for Bass, its 13 per cent payout increase coincided with general market worries about dividend growth. That probably explains why its shares were singled out for a 4 per cent rise yesterday. But it will take more than a dividend covered 2.6 times by earnings per share to correct their 20 per cent underperformance this year. On the surface, the results look good, even after stripping out the £26m exceptional pension fund benefit. The company has managed to increase its share of the beer market and, with the kind of magic at which big brewers seem so adept, it has managed to push through higher prices at a time of falling overall demand. The remains of the rights issue proceeds have reduced gearing to 20 per cent.

The problem lies in where Bass goes from here, especially since the current year has started with further volume declines. It cannot hold down capital expenditure for ever, and outlays of more than £500m this year should push the gearing ratio up again. Nor can Bass continue raising beer prices indefinitely, especially once the Allied-Carlsberg venture starts to bite. The art will be to squeeze yet more margin out by cutting costs. There is some more room for that even on top of the planned brewery closures in Edinburgh and Sheffield. But sooner or later, the competition is bound to start catching up.

Hanson

Despite a degree of natural cynicism about the token rise in Hanson's full-year profits, the improvement in disclosure is to be applauded. Excluding recent acquisitions, trading profits are down 12 per cent, which seems fair enough for basic industries in a recession. But since acquisitions have produced the overall rise, it may fairly be asked how the trick is to be repeated this year. Beazer is too small for the job, while ICI looks more implausible than ever. Nor has Hanson got money to burn, with net debt now at £1bn. Even assuming profits this year are headed downwards, Hanson supporters will point to the yield, which at 7.4 per cent is at a 45 per cent premium to the market. But Hanson has been a yield stock for years; the trouble is that its yield premium keeps rising.

Costain

Costain's share price has lost 75 per cent of its value in the last nine months, so some good news was overdue. Yesterday's £101m disposal of investment properties to Great Portland and Pensman may not have come out of the blue, but at least it gave the company a chance to nail rumours of its imminent demise. The deal should leave gearing at a bit over 70 per cent if off-balance sheet debt is taken into account. More to the point, annualised cash flow from Australia and the US after capital expenditure covers the interest bill a comfortable two and a half times.

While the bankers may be happy, shareholders have less to smile about. The market perhaps underestimates the strength of Costain's mining businesses and exaggerates the damage which the Channel tunnel could inflict. But there are write-downs of perhaps £30m to come on property and the south of England land bank, the Spitalfields development remains a worry and the contracting climate is not getting any easier. It is not a question of whether the final dividend will be cut, but by how much. Having said this, it is hard to see the shares falling much below last night's 59p close, notwithstanding the nervousness of the whole sector.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday December 5 1991

INSIDE

Institutions raise bids in £6bn BT sale

Institutional investors have raised both the price and size of their bids for shares in the government's £6bn ($10.6bn) BT sale. Strong demand from small private investors suggests that institutions, likely to be offered only 2.2bn of stock, are now prepared to offer premiums of up to 15p above the 347p at which partly-paid BT shares are trading. Page 21

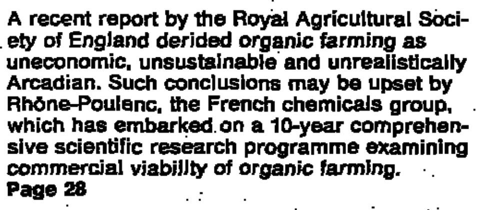
Siebe profits fall 12%

Siebe, the UK controls, engineering and safety products group, unveiled a 12 per cent fall in pre-tax profits to £75.2m ($133m), largely due to higher interest charges and depressed demand. Its acquisition of Foxboro more than doubled interest charges from £16.1m to £33.7m. Page 22

Spain prepares for sell-offs

A priorities list of state-owned companies is being passed around the Spanish Ministry of Finance. The ministry wants to sell their stock on local and international markets next year to ward off a potentially large overrun on its planned Pta1,000bn (£5.5bn) budget deficit. The candidates for partial privatisation would probably be welcome in the markets – their strength lies in way the state has packed them with succulent assets and large shares of their local markets. Page 18

Microscope on organic farming



A recent report by the Royal Agricultural Society of England derided organic farming as uneconomic, unsustainable and unrealistically Arcadian. Such conclusions may be upset by Rhône-Poulenc, the French chemicals group, which has embarked on a 10-year comprehensive scientific research programme examining commercial viability of organic farming. Page 28

Water capital debate intensifies

The UK water supply industry's debate on future capital strategies is hotting up. Ofwat, the industry regulator, has proposed that gearing be raised from an average of 35 per cent average to as high as 75 per cent. The water companies disagree and dispute the regulator's cost-of-capital calculations. They are also concerned that higher gearing will mean lower credit quality and that bond investors will demand a higher return as a result. Simon London looks at the likely shape of £28bn ($49.5bn) in projected capital funding. Page 20

Costain sells property assets

Costain, the UK construction, property and mining group, yesterday sold 11 investment properties to Great Portland Estates, property group, in a cash and shares deal worth £84.3m ($149m). It also sold its interest in a shopping centre for £18.6m cash. The disposals are aimed at cutting borrowings and improving its financial position. Page 21 and Lex, Page 16

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Asko	697	+	32	Credit Nat	962	+	22
Colonia Konz	930	+	20	Poliet	411.1	+	12.1
Herlitz	375	+	15	**Falls**			
Porsche	579	+	19	Accor	640	–	20
Falls				Cetelem	589	–	19
Mannheim	680	–	10	Legris	420	–	15
Philips Kom	600	–	15	Spie Batig	340	–	11.7

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Centocorp	51⅝	+	1¼	Nippon Carbon	2840	+	340
Vestar	15½	+	3¾	Nihon Unisys	1890	+	190
Falls				Nikkiso	1110	+	110
AMR	60⅛	–	¾	ASK	611	+	56
IBM	90¼	–	1	Maruetsu	1430	+	130
Ph Morris	68¼	–	⅝	Toyo Tire	880	+	75
UAL	125¼	–	4¼				

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Mid & Scot Res	32	–	8
Bass	959	+	36	NatWest Bank	265	–	10
Costain	59	+	8	Pilkington	112	–	10
Grand Met	846	+	21	Psion	131	–	17
Mansfield Brew	514	+	23	RTZ	466	–	28
Rentokil	380	+	15	Rank Org	582	–	19
Siebe	493	+	30	Ratners	39	–	8
Whessoe	204	+	14	Savills	36	–	5
Falls				Trafalgar Hse	167	–	10
Cannon St Invs	20	–	58	Try Group	39	–	7
Elliott (B)	24	–	19	Ultramar	273	–	17
Harrisons Cros	108	–	11				
Lonrho	177	–	23				

Accor told to lift Wagons-Lits bid

By Andrew Hill in Brussels

A BELGIAN court yesterday told Accor, the French hotels group, to raise its FFr2.2bn ($390m) bid for Wagons-Lits, the Franco-Belgian travel company, by as much as FFr1bn.

In a decision likely to have far-reaching implications for minority shareholders across Europe, the Brussels commercial court ruled that Accor and its bid partner, Société Générale de Belgique, had taken *effective control of Wagons-Lits in June* 1990, when they bought a 26 per cent stake at BFr12,500 a share.

The two companies launched their joint bid for the Franco-Belgian group two months ago at BFr8,650 a share.

Accor, La Générale and Caisse des Depôts et Consignations, the French state-owned financial group with a 28 per cent stake, have all appealed against the ruling, which would force the bidders to pay the increased price to the minority shareholders who lodged the complaint.

The Commission Bancaire, the Belgian takeover authority, is expected to tell Accor to extend the offer to all the out*standing minority shareholders*, who could hold as much as 40 per cent of the 4m Wagons-Lits shares in issue.

The commission – which approved the original Accor/La Générale offer document – should clarify the situation before 4pm today, when the bid is to close. Wagons-Lits shares were suspended yesterday in Brussels at BFr8,890. Accor's shares slipped FFr20 to FFr640 in Paris.

The ruling was welcomed by the minority shareholders as a blow against exploitation by larger investors. Mr Eric Coppieters – head of the investor consultancy group Deminor, one of the complainants – said: "We hope that the market will take note that *inequitable treatment of share*holders can be punished, and that minority shareholders can ask professionals to defend their interests."

The decision is particularly sweet for another complainant, Sodexho, the French catering group. It was edged out of a powerful position at Wagons-Lits after La Générale and Accor bought in, and reduced its stake in the company from 20 per cent to 5 per cent.

The third main complainant was Saudi Arabian investor Rolaco. Small shareholders began their action last month when a group of disgruntled institutional investors demanded more information from the bidders.

Accor provided the information last week – under threat of a court fine – and it was used as ammunition in the latest in-depth examination of the bid, began on Friday.

Norway acts to aid bank with NKr5bn

By Karen Fossli in Oslo

CHRISTIANIA BANK, Norway's second-biggest bank, is to receive a *NKr5.14bn ($809m) state* injection. However, the bank warned yesterday that it would seek up to NKr3bn in additional state support during the first quarter of next year

The bank's share capital and preference capital was wiped out by huge credit losses and it was forced to declare itself technically insolvent on October 14 this year.

Under the terms of the complex deal worked out between Christiania Bank and the state-operated Bank Insurance Fund, the bank's nine-month net losses will be *reduced to NKr198m* from NKr7.33bn.

The injection will achieve this after Christiania's shares have been written down to zero, and its preference capital has been *written off as a loss.*

This will leave Christiania with NKr2.75bn in fresh share capital, boosting its capital adequacy to 8 per cent and leaving the state as full owner of the bank.

However, the state-operated fund has engaged Arthur Andersen, the auditing firm, to assess whether any value can be retrieved from the bank's shares. *A report on this will be* completed by next Monday.

The deal has delivered some cruel blows to Mr Borger Lenth, Christiania's new president, who has battled with finance *authorities over the past two* months to convince them that the bank's shares should be written down to a symbolic value.

Mr Lenth believes this would *allow the bank to remain* attractive to some private shareholders and make it easier eventually to return Christiania to private hands. Also, the bank's board had sought a cash *injection of Nkr6.5bn, but* received only NKr5.14bn.

The state, however, has offered existing shareholders an option until June 1, 1992, to buy up to 25 per cent of its Christiania *shareholding, or 27.5m shares*, at par value of NKr25 a share.

The bank and the Oslo Bourse are working out the form in which the purchase option can be listed on the stock exchange.

Christiania was struck from the bourse in October when it became insolvent.

The deal is contingent on approval by the bank's general assembly, which has been called to an extraordinary meeting on December 18.

Andrew Taylor on the continuing problems facing UK construction

Cracks widen in the building business

Share prices of British construction and building material companies have taken fright in the past few days following fresh warnings of dividend cuts, large provisions to cover declining property values and sharply lower profits.

Bad news continues to pour out of the sector with no sign of the recession loosening its grip on residential and commercial property markets.

The latest fall in share prices was prompted by an announcement on Friday by Y.J. Lovell Holdings, a housebuilder and property developer, that it had breached loan covenants and was in discussions with its bankers.

The group announced a £62m ($109.7m) provision, larger than expected, and said it would not pay a final dividend for the 12 months to the end of September – and this after raising £31m from a rights issue in April.

Lovell's share price, which at the beginning of April stood at the equivalent of 205p, had fallen last night to just 22p.

The London stock market, already jittery about prospects for the construction industry next year, marked down other building stocks amid warnings of further company failures, financial restructuring, redundancies and plant closures in the sector.

Sentiment has not been helped by the announcement on Tuesday by Trafalgar House of a £143.7m writedown in the value of its properties, and a warning it may not able to maintain its final dividend.

Sir Clifford Chetwood, chairman of Wimpey, the contractors and Britain's second-largest housebuilder, said: "I have been in the industry for 42 years and these are the worst conditions I have experienced."

The Building Employers Confederation estimates that between mid-1989 and next summer the industry will shed 250,000 jobs.

Most worrying is that there is still no sign of any recovery in the UK housing market after 12 months of falling interest rates and more than three years after the market went into recession.

Tarmac, the country's biggest housebuilder, said this week that trading conditions had deteriorated substantially during the past two months. Mr Bryan Baker, group managing director, said continued falls in new house prices could increase provisions.

He blamed price falls on large number of homes repossessed by building societies and banks during the recession and sold at discounts. Builders expect 80,000 repossessed homes to come on to the market this year. Builders themselves are estimated to hold stocks of at least 40,000 unsold homes.

This overhang will continue to hit new house sales after the market begins to recover. Most forecasters expect recovery to be delayed until the second half of next year, after the British general election, and that improvement in sales will be modest at best. Prices are unlikely to see any improvement until 1993.

Any hopes, therefore, that the construction sector might lead the UK economy out of recession should have been dispelled long ago. The days when government could encourage economic growth through large public housing programmes are over.

The extent to which construction investment depends on private investment in houses, offices, shops, factories and warehouses, has increased substantially. Last year, only a quarter of new construction was financed publicly compared with 40 per cent in 1980 and almost 50 per cent in 1970.

Contractors became speculative residential and commercial developers as property markets soared in the mid-1980s. They were helped by de-regulation of the UK financial services industry which eased the availability of credit to support investment.

However, a combination of high interest rates and over-building left too few buyers and tenants chasing too many empty properties as markets turned down sharply.

Construction companies which had taken on large debts to finance their housing and property developments have been squeezed doubly as they have been required to finance increased interest payments from lower revenues.

Costain, the construction, property and mining group, in a bid to reduce borrowings, yesterday sold most of its commercial property portfolio for £101.3m. Other companies have not been able to take the strain. The biggest company to call in the receivers was publicly quoted Turriff.

The group, once one of Britain's best known construction companies, had bank debt including off-balance sheet borrowings, of £14.5m compared with shareholders funds in its 1990 accounts of just £9.76m. Last year Turriff announced provisions of £2.08m against its housebuilding and joint venture property operations.

The outlook for 1992 looks little better, prompting the slide in construction share prices. An absence of provisions next year will help profitability if property prices do not slide further.

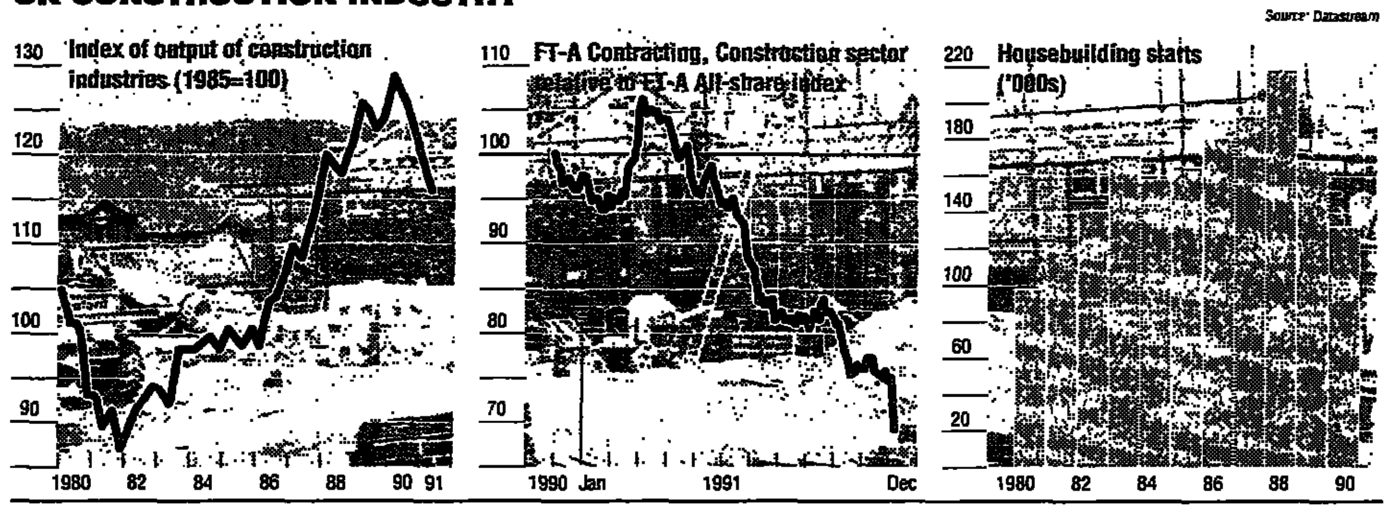
The housing market is likely to recover slowly while recovery in the commercial property market is at least 18 months away. Margins in general contracting, given the shortage of new commercial projects coming on stream, are often paper-thin or non-existent, say builders.

The only comfort is to be found in higher investment in road construction and maintainance and increased capital expenditure by the recently privatised water authorities. The increase, however, will not be sufficient to offset the steep falls in private commercial construction.

The latest forecasts by the National Council of Building Material Producers suggests total construction output in the UK will fall 8.5 per cent this year and 4.5 per cent next year. Output is not expected to recover until 1993 and by only 2 per cent.

Costain results, Page 21

UK CONSTRUCTION INDUSTRY



Hanson advances 3% to £1.3bn on strength of new acquisitions

By Roland Rudd in London

HANSON, the Anglo-US conglomerate, yesterday reported a 3 per cent increase in pre-tax profits to £1.31bn from £1.28bn on sales of £7.7bn ($13.6bn) from £7.2bn in the year to September 30 1991.

For the first time the results broke down trading profit by business and geographical location. Hanson's shares rose 2½p to close at 199½p in London.

Acquisitions had enabled Lord Hanson, chairman, to announce the 28th year of profit growth, prompting analysts to ask how this trend would be sustained without a significant new takeover.

Lord Hanson said the group's recent agreed bid for Beazer, the construction company, would add to 1992 profits, although the expected improvement in the construction industry is yet to materialise.

Lord Hanson, referring to the 2.8 per cent stake acquired in ICI last May, said: "We felt at the time that ICI was undervalued, with significant scope for enhancing shareholder value, a challenge which its board has now started to address. On our shareholders's behalf, as ICI's second largest shareholder, we shall continue to monitor its performance with interest."

The group's advisers said yesterday they believed a bid for ICI was now unlikely.

Lord White, chairman of Hanson Industries in the US, said larger acquisitions of "undervalued asset-rich companies" were under consideration.

The inclusion of the Cavenham forestry business and the Peabody coal mines has resulted in the US companies accounting for half Hanson's trading profit. Lord White warned that while the US economy remained "sluggish" there was little prospect of a recovery until late next year.

The group has cash of £7.7bn, with a positive trading cash flow of £361m before investment and finance activities. Following the Beazer acquisition, yesterday declared unconditional, the enlarged company's total net debt will be about £1bn.

Following interest rate movements in the UK and the US, Lord Hanson said interest income would be less of a feature in the next year. However, he was confident the strong balance sheet and cash flow would put it in a good position to take advantage of opportunities in 1992.

Fully diluted earnings per share increased to 20p (19.6p). The board is recommending a final dividend of 7.85p, making a total of 11p.

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Ford to shake up Jaguar board

By Kevin Done, Motor Industry Correspondent, in London

FORD, the US carmaker, will announce today a reorganisation of the top management of Jaguar, its loss-making UK luxury car subsidiary.

Mr Nick Scheele, president and managing director of Ford of Mexico, becomes vice chairman from January 1, in what is expected to be a preliminary step to taking over as chairman and chief executive later in the year.

Mr Bill Hayden, the Ford executive who led the US carmaker's transition team at Jaguar following its £1.56bn ($2.7bn) takeover at the end of 1989 and who replaced Sir John Egan as Jaguar chairman and chief executive early last year, is expected to retire in the spring next year.

Mr John Grant, appointed Jaguar deputy chairman by Ford at the beginning of 1990, is to return to an unspecified post with Ford in the US. Mr Hayden, 62, who underwent heart surgery last year, has led Jaguar through its first two years under Ford ownership.

Jaguar has run up heavy losses and cut its workforce by about a third this year following declining sales.

Ford, which paid heavily for the acquisition, chiefly for the the Jaguar name, has been dismayed at the condition of Jaguar's *manufacturing facilities* and its engineering operations.

Mr Hayden, the former manufacturing vice-president of Ford of Europe, has begun a far-reaching restructuring of the Jaguar operations.

He pushed through a labour reform package late last year and has improved the quality of Jaguar products.

He has also led the development of a 10-year business plan for Jaguar aimed at more than tripling its annual production to about 150,000 cars by the end of the decade compared with a peak output of 51,939 in 1988.

Jaguar's output this year is expected to fall 40 per cent to less than 25,000, the lowest since 1982.

In spite of the financial pressures Jaguar is pressing ahead with its new model development programme, expected to lead to the launch of replacements for its XJ6 luxury saloon and XJS coupe ranges in the mid-1990s and a smaller sports saloon in the late 1990s.

Mr Hayden said Mr Scheele would lead implementation of Jaguar's "ambitious new product plans over the next decade."

Mr Scheele, 47, was appointed managing director of Ford of Mexico in 1988.

Ruling expected on bids for Au Printemps and Exor

By William Dawkins in Paris

FRENCH STOCK exchange regulators were meeting last night to decide on the fairness of controversial two-thirds bids for Au Printemps, the Parisian department store, and for Exor, a holding company that controls Source Perrier, the mineral water brand.

Their decision, expected this morning, will affect the current debate in France on whether to change takeover laws in line with the UK, to give minority shareholders fairer treatment. Analysts fear that difficulties faced by minority shareholders in some French companies might contribute to the decreasing importance of the Paris equity market.

Under the present system, a buyer acquiring more than 33 per cent of a company's shares, alone or in concert, must launch a bid for 66 per cent. A full bid is triggered when the 50 per cent threshold is passed.

In the UK, a full bid is triggered once a buyer touches 30 per cent. The European Commission proposes this system in its draft directive on European takeovers.

Minority shareholders in Au Printemps, represented by Mr Georges Berlioz, a Parisian lawyer, believe Pinault should launch a full bid.

They have complained to the Conseil des Bourses de Valeurs (CBV) on the grounds that the block of shares Pinault bought recently used to carry more than 50 per cent of the votes, because of double voting rights which were made to expire before the transaction was completed.

Minorities in Au Printemps would see any shares they tendered to the offer scaled down. Analysts also point to the risk of a share price decline after the offer, due to the reduced liquidity in the market for Au Printemps' equity.

Exor's minority shareholders, which include some of France's biggest institutional investors such as the Suez financial and industrial holding group, say that control has changed hands at an unfairly low price.

Mr Pierre Bérégovoy, the finance minister, is devoted to attracting rather than hindering foreign investment in France. But he has admitted concern over the position of minority investors under current takeover rules and hinted that a change would be possible if the bourse authorities and quoted companies agreed.

Bass plans to close two more of its breweries

By Philip Rawstorne in London

BASS, the UK's biggest brewer, which closed two breweries earlier this year, is to close another two – at Edinburgh and Sheffield – by the end of 1994 in a drive to improve cost efficiency.

The move, which will lead to the loss of 460 jobs, was announced yesterday as a strong performance by its brewing operations enabled the group to limit the decline in pre-tax profits in "the most difficult trading year for a decade" to 5 per cent.

The £568m ($900m) result, which included a £55m provision for the cost of the brewery closures, matched the most optimistic forecasts in the City of London. Sentiment was helped by news that the group plans a share split and the repayment of its £5.6m preference shares at a premium of over 50 per cent to the market. Bass shares closed 36p higher at 959p.

Closure of breweries at Runcorn and Birmingham this year had cut costs by £2 a barrel across the group's entire beer production, Mr Ian Prosser, chairman, said. "We are determined to drive for the lowest cost base in our businesses and see more opportunities for rationalisation."

The Heriot brewery in Edinburgh will close with the loss of 110 jobs next autumn when its operations will be transferred to Wellpark brewery in Glasgow. Hope brewery, Sheffield, will close in 1994, with the loss of 290 jobs.

Brewing and packaging of Bass Export will be transferred from Glasgow to Cape Hill, Birmingham, where a £50m investment programme will improve the production of specialist, niche brands. About 50 jobs will be created at Birmingham, but there will be a phased reduction of 150 in the Glasgow workforce. Further job losses will follow in the distribution network.

Mr Prosser said the group, which is seeking to strengthen its premium lager portfolio, plans £500m of capital investment this year.

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Details, Page 24

State groups queue for the sales

Peter Bruce looks at Spain's plans to offset a runaway budget deficit

What was just a faint possibility a year ago has suddenly become a priority on a list fluttering around the long corridors of the Spanish ministry of finance.

The list contains the names of state-owned companies whose stock the ministry wants to sell on local and international markets next year to face off a potentially large overrun on its planned Pta1,000bn ($9.7bn) budget deficit.

The companies include Repsol and Banco Exterior. Other possible names are Endesa, the huge electricity utility; Telefonica, the telephone monopoly; and Tabacalera, the virtual tobacco monopoly.

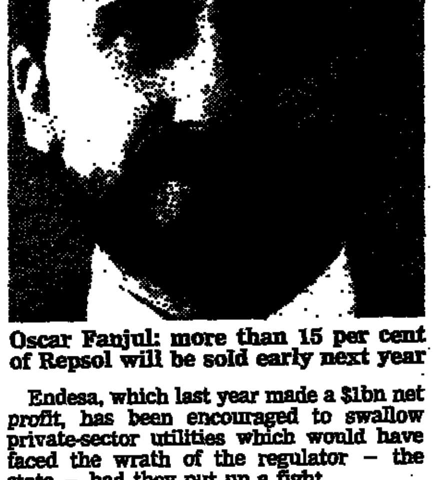
Repsol, the state's profitable and meticulously nurtured energy conglomerate, is first in line. Its president, Mr Oscar Fanjul, said recently the state wanted to place more than 15 per cent of the company early next year, cutting its stake to below 50 per cent to raise about Pta120bn.

Spain's budget is the reason. Inflation is set to rise again early in 1992. This will probably reverse this year's gentle fall in interest rates. Company profits are falling, along with tax income. That alone makes the 1992 budget deficit – 1.6 per cent of GDP – too optimistic, say independent economists. This year's deficit was supposed to be Pta513bn, or 0.9 per cent of GDP, but overspending has more than doubled it.

So the sudden enthusiasm for floating more of Repsol is not surprising. The company is liked in the markets and the flotation of 26 per cent in 1989 was a stunning success, raising nearly $1bn. Since then it has generated consistent profits and it is now buying up most of Spain's gas companies to form a new utility.

But Repsol and the other candidates for partial privatisation would probably be welcome in the markets even if they were run by first-year business students. The state has packed them with succulent assets and large shares of local markets.

Most motorists in Spain have little choice but to fill their tanks at Repsol service stations.


Oscar Fanjul: more than 15 per cent of Repsol will be sold early next year

Endesa, which last year made a $1bn net profit, has been encouraged to swallow private-sector utilities which would have faced the wrath of the regulator – the state – had they put up a fight.

Tabacalera's old, state-sanctioned domination of tobacco distribution and manufacture is unlikely to be broken by European Community deregulation; and Banco Exterior has just been made the lead institution of the state's new financial holding company, giving it control of the post office savings bank and the state's mortgage, municipal and farm banks.

The formation of the Argentaria Corporacion Bancaria de España has handed more than 20 per cent of the Spanish mortgage market and 36 per cent of credit business with the public sector on a plate to Exterior and its president, Mr Francisco Luzon. He says about 20 per cent of Exterior could be floated next year. That would raise about Pta70bn.

The markets are in a poor state and may not be able to receive the kind of flotations being talked about. Mr Fanjul leaked Repsol's plans to the markets last week, leaving Mr Luzon at Exterior to make a more leaden reference this week.

At the finance ministry, officials confirm a list exists, but insist the sales depend on the markets being able to absorb them. Depending on how the economy performs, they may have no choice.

If Telefonica and Endesa are on the list, they would be lower down. While Repsol's profits are being squeezed by heavy investments and poor results in its chemicals division, and while Banco Exterior's income is likely to slow along with the rest of a sluggish domestic bank climate next year, both Telefonica and Endesa pass on handsome dividends to the state.

Government officials say an early flotation of more of Tabacalera is unlikely.

The company is still being stacked and restacked with assets as preparation for a sale. The management – so punch-drunk it no longer informs the business press of its considerable profits – has, at government behest, changed presidents and strategies three times in as many years.

Starting in 1986, it began diversifying into foods and retailing. But the food assets it "bought" from the state poisoned its accounts and it has tried to get rid of them, to concentrate on tobacco. The agriculture ministry would not accept the French-led prospective buyers, and Tabacalera is still stuck with half a dairy company it does not want.

When Ferruzzi tried to buy one of the last Spanish-controlled edible oils groups, Elosua, last spring, the ministry blocked it on the grounds that olive oil was somehow a strategic sector. Tabacalera is now being fixed up to control Elosua.

It may take some time for Tabacalera and its political masters to decide whether they want a company that makes cigarettes or dresses salads. However the government is clearly hoping that its need to sell some assets and the desperation of market intermediaries to have something to sell may actually help create a market.

Overseas sales lift Seagram

By Robert Gibbens in Montreal

SEAGRAM, the Canadian international drinks group, yesterday reported an 8.4 per cent rise in third-quarter operating profits. The company attributed the improvement to better spirits and wine business outside North America.

Seagram, which reports in US dollars, posted beverage operating profits for the three months to October 31 of $206m, against $190m a year earlier, on sales up slightly at $1.5bn.

After including dividends from its 24.5 per cent interest in Du Pont, the US chemicals group, and equity in its unremitted earnings, Seagram's net profits rose to $193m, or $2.02 a share, against $189m, or $2.01 a share. Du Pont dividends were higher, but its share of unremitted earnings fell.

Tropicana, the US fruit juice, coolers and mixers subsidiary, reported higher sales. However profits were reduced by high fruit costs and investments for expansion.

Nine months' beverage operating income slipped to $491m from $499m on sales of $4.28bn against $4.20bn.

Final net profits after Du Pont contributions were $530m, or $5.60 a share, against $581m, or $6.16 a share. Average shares outstanding were 95m against 93.7m.

Seagram attributed this dip in net profits to lower equity in unremitted Du Pont earnings. Beverage income plus Du Pont dividends equalled $3.65 a share, against $3.53.

The results exclude the proceeds of the sale of US liquor brands of $372m, being completed later this month. Analysts estimate Seagram's profit will equal $2 a share in the fourth quarter.

Du Pont extends cost-cutting plans

By Karen Zagor in New York

DU PONT, the biggest US chemical company, plans to cut an additional $2bn from its cost structure in the next five years, on top of the $1bn of cost-cutting measures announced earlier this year.

Wall Street reacted favourably to the news, marking Du Pont's shares $¾ higher to $47⅞ at mid-day. Shares in Seagram, which holds about 24 per cent of Du Pont's common stock, eased $⅛ to $114½ on the New York Stock Exchange.

The company has not said how many jobs will be eliminated under its wider cost-cutting plans.

Mr John Garcia, an analyst at Wertheim Schroder, said: "It's not often that a company of this size and quality goes through this kind of exercise. This is a major change in Du Pont's culture. The company has gone from being a paternalistic, bureaucratic machine that was very strong in technology but had mediocre returns and little regard for profitability. It is now looking to its profits as well as technology."

Du Pont, like most chemical companies, has been affected by the sluggish economy, declining worldwide demand for chemicals and pressure on prices from industry overcapacity.

In the first nine months of 1991, its earnings fell about 10 per cent to $1.64bn, or $2.44 a share, on flat sales of $28.5bn. The cost of goods sold and other expenses was $20.8bn.

Du Pont is not alone in its restructuring moves. Monsanto and Union Carbide have also taken advantage of the recession in the industry to implement cost-cutting measures.

Groupe Bull seeks US links

By Alan Cane

GROUPE BULL, the loss-making French computer maker, is in discussions with a number of US information technology companies which could lead to a technological partnership and, eventually, a closer relationship involving equity investment.

The discussions, which the company describes as "serious," involve IBM, the world's largest computer maker, Digital Equipment, the world's largest minicomputer maker, and Hewlett Packard, a leading electronics group.

An announcement of an agreement to share information about a new technology called "reduced instruction set computing (risc)" which is important for mid-range systems is expected before the end of January.

Sources indicate, however, that a technology partnership is only the first stage in a relationship that could lead to equity investment.

Bull confirmed this yesterday by saying it was talking with "suitors". The company, which is owned by the French government, lost over FFr6bn ($1.08bn) last year and has been seeking a partner to share the costs of research, development and marketing for some time. Earlier in the year there were suggestions that IBM could be interested in taking a stake but since then discussions have widened to other potential partners.

The three companies and Groupe Bull are all members of the Open Software Foundation, an organisation of leading computer companies developing standard or "open" software programs for mid-range computers.

The discussions also indicate that Bull's relationship with Mips, a US company specialising in risc systems, is cooling.

The French government would welcome a partner for Bull; the law has recently been changed making it possible for foreign companies to invest in state-owned organisations.

NEC, the Japanese company which provides Bull's mainframe systems, hold a 5 per cent stake in the company; the suggestion is that there would be support for US investment to give the company credibility in each of its principal markets.

Treuhand to sell Minol and Leuna

By Leslie Colitt in Berlin

MINOL, the eastern German oil company, is to be sold before the first quarter of next year in a package with the ailing Leuna chemical works.

Mr Klaus Schücht, an executive board member of the Treuhand, the government agency in charge of privatising former East German assets, said selling off the chemicals industry was urgent.

Two groups are bidding for the Minol-Leuna package, in a sale being managed by Goldman Sachs, the investment bank.

A consortium consisting of Thyssen Handelsunion, Deutsche SB-Kauf and Elf, the French oil company, has agreed to invest more than DM5bn ($3.09bn) in Minol and the obsolete Leuna works. Deutsche SB-Kauf is a low-price petrol station chain favoured by the Treuhand, which wants to increase competition in an east German market dominated by Minol.

The second consortium comprises BP, Total, Agip, Statoil and OMV, with Metallgesellschaft and Kuwaiti interests. It would be prepared to sell part of the petrol station network to independent operators.

The Leuna refinery, with a capacity of nearly 7m tons, is inter-connected with the obsolete Leuna chemical complex, which is linked by corroded product pipelines to other east German chemical producers. The Treuhand is expected to assume responsibility for debts and environmental damage.

Viag forecasts record results

By Christopher Parkes in Bonn

SALES AT Viag, the German conglomerate, will rise by 25 per cent this year to DM25bn ($15.5bn) and profits will jump to more than DM400m from DM336m, according to Mr Georg Obermeier, finance director.

"Even in a difficult year we can deliver a record result," he said, adding that the dividend for 1991 would be increased by 50 pfennigs, for the ninth year in succession, to DM9.

Mr Obermeier gave his forecast while presenting the official results for the first nine months of the year. Thanks mainly to a contribution of about DM32m from the newly-acquired packaging concern, Continental Can Europe, turnover increased 26 per cent to DM18.2bn, producing profits of DM322m compared with DM229m.

The whirl of activity and acquisition which followed the sale by the state of its 60 per cent stake in Viag in 1988, and which saw sales double in the two following years, is continuing.

Announcing medium-term plans to float 49 per cent of two wholly-owned subsidiaries, the aluminium concern VAW and chemicals group SKW, Mr Obermeier said: "We must dress up the brides first."

VAW is to have a capital injection of DM42.5m and SKW a further DM28m. A capital increase of DM40m is also planned for the trading company Klöckner which Viag owns jointly with Bayernwerk of Munich.

Viag has invested DM3.4bn on its expansion programme in the current year – more than double 1990's expenditure.

Asked about Klöckner 20 per cent share in the (unrelated) Klöckner-Werke steel business, the subject of speculation during the merger tussle between Krupp and Hoesch, Mr Obermeier said the possibility of a partnership was not excluded.

Theft of luxury cars costs Colonia DM43.5m

By Christopher Parkes

THE THRIVING export trade in luxury cars stolen in Germany and sold in eastern Europe cost Colonia, Germany's second-largest insurance company, an estimated DM43.5m ($27m) in the first 10 months of the current financial year, according to Mr Hans Jäger, the chairman.

Following costs of DM29m incurred by this new industry in 1990, Mr Jäger added, fully comprehensive car insurance premiums would have to be increased from the start of 1992 by 1.8 per cent.

In its more traditional business, Colonia's premium income from the German market rose around 10 per cent to DM2.39bn during the period under review. Industrial fire insurance business grew almost 24 per cent and transport cover by 15.5 per cent.

Dior flotation successful

By Alice Rawsthorn in Paris

THE FFr787m ($142m) flotation of Christian Dior, one of the most famous Paris fashion houses, has been heavily over-subscribed, attracting 3.23m applications for the 1.3m shares on sale to the French public.

Dior's international placing was also over-subscribed. It has attracted 2.4m applications from investors outside France for the 620,000 shares available.

The success of the Dior issue follows last month's successful flotation in Paris for Crédit Local de France, the state-controlled bank specialising in local authority loans. The Crédit Local issue is the first flotation in the French government's partial privatisation programme.

Dior, which was founded in 1946, is one of the luxury goods groups run by Mr Bernard Arnault, who also heads LVMH, the drinks and fashion conglomerate in which Dior has a significant holding through one of its investments. The Dior management has for some time been keen to sell some of the company's shares to give institutional investors a chance to realise part of their equity.

Christian Dior, which produces the Dior ready-to-wear and haute couture collections, as well as indirectly owning the LVMH investment, will join the growing number of luxury goods groups quoted on the French stock market including Yves St Laurent, which, two years ago, became the first French fashion house to go public.

Trading in the shares, sold in both the public offer and international placing at FFr410 capitalising Dior at FFr12.9bn, starts in Paris today.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 05.12.91: Pool purchase price £/MWh	Final Prices for Trading on 07.11.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.63	16.40	16.40
0100	16.65	18.65	21.22
0130	17.10	28.50	31.40
0200	17.10	21.00	21.00
0230	16.68	18.43	18.43
0300	16.67	18.25	18.25
0330	16.57	18.22	18.22
0400	16.48	18.15	18.15
0430	16.44	18.15	18.15
0500	16.46	16.12	16.12
0530	16.48	14.15	14.15
0600	16.49	14.28	14.28
0630	16.61	14.40	14.40
0700	16.65	14.92	14.92
0730	19.62	17.21	19.75
0800	20.25	17.74	20.31
0830	20.38	18.70	21.30
0900	20.38	18.83	21.45
0930	20.08	18.84	21.45
1000	20.08	18.85	21.46
1030	20.20	18.86	21.48
1100	20.17	18.86	21.46
1130	20.16	18.66	21.47
1200	20.41	18.87	21.48
1230	20.41	20.82	31.56
1300	20.40	18.84	21.43
1330	20.18	18.82	21.39
1400	20.15	18.68	16.58
1430	20.14	15.38	15.36
1500	20.14	15.36	15.36
1530	20.22	18.82	21.40
1600	31.02	19.58	22.25
1630	80.91	30.68	34.72
1700	130.86	48.19	55.52
1730	133.05	54.17	61.80
1800	92.39	51.00	58.09
1830	42.38	36.32	40.73
1900	24.84	28.82	28.77
1930	22.86	20.02	22.66
2000	22.02	18.83	21.38
2030	19.89	18.40	20.94
2100	19.80	18.30	20.84
2130	19.61	17.58	20.08
2200	19.30	17.21	18.72
2230	16.94	14.93	14.93
2300	16.81	14.57	14.57
2330	16.60	14.28	14.28
2400	16.60	14.22	14.22

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £19.88/MWh becomes 1.988p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Treasuries rise on evidence of weak economic data

By Richard Waters in London and Karen Zagor in New York

US Treasuries were lifted yesterday morning by further evidence of economic weakness which gave more fuel to speculation that the Fed will ease monetary policy once more this year.

At mid-session, the Treasury's bellwether 30-year bond was ⅛ higher at 101⅛, yielding 7.88 per cent. Shorter-dated maturities posted slimmer gains, of about 1/16 point, but attracted more buyers as investors became increasingly bullish about the prospects of an imminent easing of monetary policy.

GOVERNMENT BONDS

The Federal Reserve arranged $1.5bn of customer repurchase agreements when Fed funds were changing hands at 4¾ per cent.

The market was encouraged by the release of weak third-quarter GNP and GDP figures yesterday morning. The market had expected an upward revision in GNP to 2.9 per cent from 2.4 per cent, but instead there was a downward revision to 2 per cent.

Excluding a sharp upward revision in inventories, GNP would have been even weaker. The GDP figure was revised from 2.5 per cent from 1.7 per cent.

In addition, the Fed's Tan book survey of economic conditions added to the picture of a weak economy by suggesting a "flagging momentum" in economic recovery in October and early November.

■ THE prospect of a possible rise in German interest rates today failed to dent European bond markets, though the nervous, volatile mood was evidenced by the reaction to confirmation that the Soviet Union is stopping principal repayments to its commercial bank creditors.

A continued tightening in short-term rates in Germany – yesterday the Bundesbank kept call rates close to the Lombard rate of 9¼ per cent by draining cash from the market – sent the market a clear sign of the authorities' intention not to relax its monetary stance. However, most analysts said they did not believe this signalled a rise in the Lombard rate today, but that it would be postponed instead until the Bundesbank meeting of December 19.

The March bund futures contract, having opened at 86.33, traded as low as 86.124 during the day, but closed near its opening level. This was despite news late in the day that banks had received confirmation from the Soviet Vnesheconombank that it would halt debt repayments – a move described in some quarters as expected.

However, French government bonds, which have proved more volatile this week, appeared to react more sharply to the news from the Soviet Union, losing around a quarter of a percentage point in late trade. Traders said the French market was likely to remain nervous ahead of next week's Maastricht summit meeting.

■ UK government bonds consolidated their gains of earlier in the week on the back of reports that a significant domestic buyer had appeared in the market.

In a relatively quiet day – with around 15,000 futures contract traded – the benchmark bond due in 2003/2007 climbed from 112⅛ to 112⅝ on the day. The 10-year gilts put up for auction last week had sold out by yesterday, confirming the sharp change in market sentiment since fears of a sterling crisis less than a fortnight ago.

■ THE Japanese government bond market yesterday shrugged off better-than-expected figures for economic growth in the economy during the third quarter as investors continued to look to an economic slow-down in the months ahead.

Despite the year-on-year rise of 1.6 per cent in the third quarter, announced yesterday, the market is still expecting bearish results from the official Tankan survey of industrial confidence, due next Tuesday. As a result, this week's rally in the bond market remained undented. The benchmark No 129 issue, which opened at a yield of 5.785 per cent, closed in Tokyo at 5.735 per cent, before climbing slightly in London trading.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	114.0431	+0.340	9.76	9.81	9.84
BELGIUM		9.000	06/01	99.0500	+0.100	9.14	9.14	9.11
CANADA *		8.500	04/02	100.2000	+0.250	8.47	8.64	8.58
DENMARK		9.000	11/00	99.8400	+0.365	9.02	9.04	8.94
FRANCE	BTAN	8.500	11/96	97.2532	+0.036	9.20	9.15	8.96
	OAT	9.500	01/01	103.1700	-0.300	8.96	8.98	8.80
GERMANY		8.25	09/01	99.5000	-0.090	8.32	8.31	8.38
ITALY		12.000	08/01	96.3700	+0.040	12.67	12.64	12.42
JAPAN	No 119	4.800	06/99	93.4260	+0.171	6.07	6.22	6.21
	No 129	6.400	03/00	103.7382	+0.348	5.74	5.88	5.87
NETHERLANDS		8.500	03/01	97.9200	-0.030	8.83	8.83	8.80
SPAIN		11.900	07/96	99.8500	-0.050	11.94	11.93	11.83
UK GILTS		10.000	11/96	100-12	+6/32	9.90	10.02	9.79
		10.000	02/01	100-26	+7/32	9.86	9.96	9.78
		9.000	10/08	95-04	+13/32	9.59	9.72	9.57
US TREASURY *		7.500	11/01	101.7500	+8/32	7.25	7.41	7.50
		8.000	11/21	101.2500	+6/32	7.89	7.97	7.97

London closing. *New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

UAL warns of record loss

By Nikki Tait in New York

UAL, the parent company of United Airlines, has warned it expects a record loss in the fourth quarter of 1991 and for the year.

Its prediction, which came as part of its November traffic statistics announcement, follows a gloomy prediction about fourth-quarter profits from American Airlines, another large carrier, and underlines the difficult conditions still facing the US airline industry.

American has also said it will "probably" make a fourth-quarter loss.

UAL did not quantify the size of the loss, but blamed "the combination of a weak domestic economy and a poor pricing environment" for its problems.

The presence of a number of financially-troubled carriers, including several which have sought bankruptcy protection, means that fare discounts continue to trouble the US airline industry.

United only made a slender $25m after-tax profit in the third quarter of 1991 and has posted a $79.3m net loss in the first nine months.

The second and third quarters of the year are traditionally the best traffic periods.

In 1990, despite the Gulf-related problems in the second half of the year, UAL made a $94.5m profit, helped by property asset disposal gains.

Its loss from earnings, however, totalled $36.3m last year.

This compares with operating profits of $464.5m in 1989 and $664.9m in 1988.

Pan Am misses last call as landmark's lights vanish

Nikki Tait reports on the emotional recriminations surrounding the grounding of the carrier's fleet

As storm clouds hung over Manhattan on Tuesday afternoon, anyone glancing down Park Avenue confronted a wall of mist. The lights of the Pan Am Building, normally a landmark sight over Grand Central station, had vanished.

It was fitting. Three miles down the road, a court hearing – which should have marked Pan Am's re-emergence from bankruptcy – was about to descend into bitter and emotional recrimination.

Delta Air Lines, billed as Pan Am's partner in its attempts to become a smaller carrier servicing Latin America, had decided to stop funding the airline's swingeing losses. Pan Am was left scrabbling for alternative financing to try to keep its aircraft in the air.

Pan Am employees, who crammed into the packed and steamy courtroom, applauded furiously when Delta's 11th-hour retreat was described by one lawyer as worthy of excoriation.

"They say: 'We love to fly and it shows'," he thundered, refering to Delta's advertising slogan. "Some of my colleagues have suggested that there is one "F" too many in that sentence."

There are three potential losers as a result of Tuesday's events. The first is Pan Am, its some 10,000 employees and unsecured creditors. The reorganised company would have guaranteed almost 7,000 jobs, while creditors would have owned a 55 per cent equity stake – alongside Delta's 45 per cent. Since the Latin American service has traditionally made a profit, this at least offered the possibility of some future return.

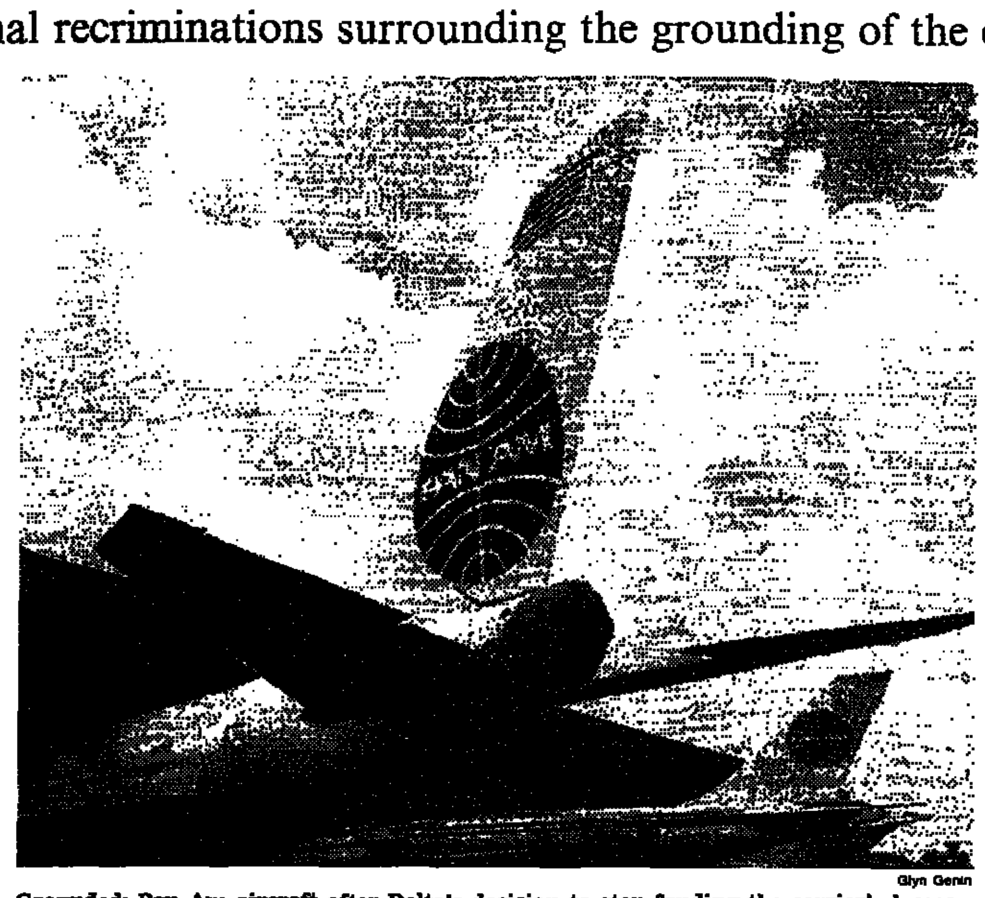
Instead, Pan Am was forced yesterday morning to announce it was grounding its fleet – an outcome which had looked increasing inevitable as consumer confidence in the carrier evaporated.

It is still possible that another airline might acquire the Latin American routes, the only significant remaining asset. Analysts believe United Airlines – which bid around $235m for these last summer – is the obvious candidate, although the Chicago-based carrier declines to discuss it.

But, even so, Pan Am's heavily-underfunded pension liabilities and the multi-billion dollar claims against the carrier render the odds on any return for most creditors extremely slim. Employment prospects for many staff, meanwhile, are no better.

The second loser may be Delta – its carefully-cultivated, "squeaky clean" image looks badly tarnished by the whole affair. At the outset, the larger carrier never sought any involvement in Pan Am's Latin American business; its main interest was the carrier's transatlantic routes, New York base, and east coast shuttle, all of which were transferred this autumn. Delta only became involved in the proposed reorganisation scheme after some hard bargaining by the smaller carrier's creditors.

But this element of the deal worried analysts from the start, contributing to a sharp fall in Delta's share price and to reduced debt ratings. As long ago as August, Standard & Poor's, the US rating agency, was suggesting the European route benefits could be "more than offset by the investment in a still-struggling Pan Am". As pessimism about the US airline industry increased, and Delta faced inevitable teething problems with the Transatlantic service, these doubts grew.



Glyn Genin

Grounded: Pan Am aircraft after Delta's decision to stop funding the carrier's losses

So, although the Atlanta-based carrier is emphatic it negotiated in good faith and it was news of Pan Am's deteriorating financial condition a week ago which prompted its withdrawal, accusations of sharp behaviour will fly. For a company which prides itself on customer service and good employee relations, this is not the best advertisement.

The final loser is the bankruptcy process. The Delta-Pan Am debacle comes only weeks after Northwest Airlines left Midway, a Chicago-based regional carrier, in similar circumstances. Northwest, having acquired some attractive landing slots in the first tranche of a deal with Midway, then walked away from the proposed purchase of the bankrupt carrier's remaining assets.

As lawyers pointed out on Tuesday, both episodes highlight a serious problem for creditors in any bankruptcy process. If a potential buyer or investor walks away from a "rescue" situation, and there is no money left in the till to seek legal redress, isn't the process open to misuse?

Perhaps the only redeeming element to the Pan Am grounding is that some more capacity is finally squeezed from the US airline industry. Three carriers – Eastern, Midway, and now Pan Am – have ceased operations during 1991. In mid-1990, they spoke for about 8.5 per cent of the domestic airline market.

Confusion over ticket-holders

By Martin Dickson in New York

CONFUSION yesterday surrounded the fate of outstanding flight tickets issued by Pan Am as the defunct airline and Delta issued conflicting statements on the subject.

Pan Am said that, as a result of a prior agreement with Delta, it expected that airline to provide its ticket-holders with service on comparable Delta flights, or on another carrier, or otherwise accommodate the holder.

Delta acknowledged that it would honour Pan Am tickets issued before today on many of its routes – as long as travel was completed before January 16, with the exception of the Cleveland-Detriot-London route, where there was no such time limit.

However, Delta does not fly on most of Pan Am's last remaining routes in Latin America and the Caribbean, and a Delta spokesman said Pan Am was wrong to suggest it had to provide flights on another carrier or "otherwise accommodate" the holder.

The indications were that other US airlines might honour Pan Am tickets on routes they served. There was no immediate word from American Airlines, which has the most extensive Latin American route structure, but Continental, which flies to some Caribbean destinations, said it would accept Pan Am tickets.

Holders of Pan Am frequent flier "miles" – which are exchangeable for free air travel – will not lose them.

A Delta spokesman said the airline was obliged to honour them as part of its agreement to buy Pan Am's European routes.

In court documents earlier this year, Pan Am said it expected 15.3bn of the miles accumulated in accounts by the end of 1990 and qualifying for free trips would ultimately be converted to tickets. It had accrued some $19m by the end of the year to cover the incremental cost of this.

● The US Department of Transportation said yesterday it would ask airlines to submit requests to take over Pan Am routes on an emergency basis, Reuter reports from Washington.

The government wants the requests by the end of the today, and could make an almost immediate decision.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on December 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	104⅞	105⅛	-⅛	7.02
ALBERTA PROVINCE 9 3/8 95	600	108¾	109¼	+⅛	6.70
AUSTRIA 8 1/2 00	400	105⅛	105½	+⅛	7.63
BANK OF TOKYO 8 3/8 96	100	104⅛	104⅝	+⅛	7.21
BELGIUM 9 5/8 98	250	111	111½	+⅛	7.44
BFCE 7 3/4 97	150	103⅜	103¾	+½	6.95
BNP 8 5/8 94	300	105⅝	106⅛		6.24
BRITISH GAS 8 3/8 99	350	104⅞	105⅜	+⅛	7.51
CANADA 9 96	1000	108½	108¾	+⅛	6.62
CARCO 9 1/4 96	650	103	103¼	-½	8.43
CCCE 9 1/4 95	300	108¼	108⅝	+⅛	6.34
COUNCIL EUROPE 8 96	100	104⅝	105	+⅛	6.80
CREDIT FONCIER 9 1/2 99	300	110⅝	110⅞	-⅛	7.53
DENMARK 8 1/4 94	150	105¼	105½	+⅛	6.12
DENMARK 9 1/4 95	1571	108¼	108½	+⅛	6.38
ECSC 8 1/4 96	193	105¾	106¼	+⅛	6.85
EEC 8 1/4 96	100	104⅜	104⅞	-⅛	7.07
EIB 7 3/4 96	250	103⅞	104¼	+⅛	6.76
EIB 9 1/4 97	1000	110¼	110⅝	+⅛	7.10
ELEC DE FRANCE 9 98	200	108¼	108⅝	+⅛	7.30
EURO CRED CARD TST 9 94	325	103½	105¼	-⅛	7.58
EUROFIMA 9 1/4 96	100	108¼	108¾	+½	6.94
EXPORT DEV CORP 9 1/2 98	150	110⅝	111	+⅛	7.39
FINLAND 7 7/8 97	200	102⅞	103⅜	+⅛	7.18
FINNISH EXPORT 9 3/8 95	200	108⅝	109⅛	+⅛	6.74
FORD CAPITAL 9 3/4 97	250	106	106½	+⅛	8.32
GEN ELEC CAPITAL 9 3/8 96	300	108⅜	108¾	+⅛	7.12
GMAC 9 1/8 96	200	104½	105	+⅛	7.83
GUINNESS FINANCE 8 94	300	103⅝	104⅛		6.42
IBM INTL FIN 7 3/4 94	200	103⅞	104⅜	+⅛	5.93
IND BK JAPAN FIN 7 7/8 97	200	102	102½	+⅛	7.39
INTER AMER DEV 7 5/8 96	200	102½	102⅞	-⅛	6.98
ITALY 8 1/2 94	1500	106¼	106½		6.07
JAPAN DEV BK 8 94	150	104	104½	-⅛	6.17
KANSAI ELEC PWR 10 96	350	110¼	110⅝	-⅛	7.17
LTCB FIN 8 97	200	101¼	101⅝	-⅛	7.69
NEW ZEALAND 9 94	850	106⅜	106⅝	+⅛	6.37
NIPPON CRED BK 10 3/8 95	150	109⅝	110¼	+½	7.21
NIPPON TEL & TEL 9 3/8 95	200	106⅜	106⅝	-1⅛	7.09
ONTARIO 8 1/2 01	600	103⅛	103⅜	+⅛	8.00
ONTARIO HYDRO 11 5/8 94	200	110½	111	-⅛	6.30
OSTER KONTROLLBANK 8 1/2 01	200	104⅜	104⅝	+⅛	7.81
PETRO-CANADA 7 1/4 96	200	101⅜	101⅞	+⅛	6.86
QUEBEC HYDRO 9 3/4 98	150	109½	110	-⅛	7.89
QUEBEC PROV 9 98	200	106¼	106⅝	+⅛	7.73
SAINSBURY 9 1/8 96	150	106⅞	107½	-⅛	7.37
SAS 10 99	200	107¼	108⅜	+1	8.60
SBAB 9 1/2 95	500	108½	108⅞	+⅛	6.66
SNCF 9 1/2 98	150	110⅛	110⅝		7.47
STATE BK NSW 8 1/2 96	200	104½	105	+⅛	7.29
SWEDEN 8 1/8 94	150	104⅝	105¼	+⅛	6.12
TOKYO ELEC POWER 8 3/4 96	300	106¾	107⅛		7.01
TOKYO METROPOLIS 8 1/4 96	200	105¼	105⅝		6.98
WORLD BANK 8 3/8 99	1500	106⅛	106⅜	+⅛	7.46
WORLD BANK 8 3/4 97	1500	108⅜	108⅝		6.88
XEROX CORPN 8 3/8 96	100	102⅞	103⅜	+⅛	7.75

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	101	101	+½	10.77
BK ECON USSR 7 96	750	68½	68½	-⅛	18.07
BULGARIAN TRADE BK 8 1/2 96	200	85	85	+⅛	12.98
CZECH OBCHODNI BANKA 10 95	350	96¼	96¼	-½	11.31
DEUTSCHE FINANCE 7 1/2 95	1000	97	97		8.62
EIB 5 3/4 98	400	87⅝	87⅝	+⅛	8.34
EIB 6 7/8 95	300	95⅜	95⅜	-⅛	8.17
EUROFIMA 6 1/4 98	400	89⅛	89⅛		8.42
FIRST INTERSTATE 5 3/4 96	100	85½	85½	+⅛	9.94
IND BK JAPAN FIN 5 5/8 96	200	89⅛	89⅛		8.69
IND DEV BK INDIA 6 3/8 94	200	88	88	-⅛	11.23
LUFTHANSA INT FIN 5 7/8 98	500	86⅛	86⅛	-⅛	8.65
NACIONAL FINANCIERA 11 95	150	104	104	+1⅛	9.58
NAT BK HUNGARY 8 96	200	91⅛	91⅛	+1⅛	10.21
QUEBEC HYDRO 6 3/4 99	300	89⅜	89⅜	-⅛	8.69
SWEDEN 6 1/8 98	300	89	89	+⅛	8.44
WORLD BANK 0 15	2000	18¼	18¼	+⅛	7.36
WORLD BANK 5 3/4 96	300	90⅛	90⅛	+⅛	8.40
WORLD BANK 7 1/8 95	500	97¼	97¼	+⅛	8.15

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.66
COPENHAGEN TEL 8 5/8 96 LFr	600	98	98¾		9.22
WORLD BANK 8 96 LFr	1000	96½	97½		9.09
ABN AMRO HOLDING 9 1/4 01 Fl	750	102¼	102⅝		8.87
UNILEVER 9 00 Fl	500	102⅞	103¼		8.52
ALBERTA PROVINCE 10 5/8 96 C$	500	106½	106⅞	+⅛	8.69
BELL CANADA 10 5/8 99 C$	150	106¼	106⅝		9.44
BRITISH COLUMBIA 10 96 C$	500	104¼	104½		8.79
EIB 10 1/8 98 C$	130	105⅞	106½	+⅛	8.92
ELEC DE FRANCE 9 3/4 99 C$	275	104	104½	+⅛	9.00
FORD CREDIT CANADA 10 94 C$	100	103⅜	103⅞	+⅛	8.50
GEN ELEC CAPITAL 10 96 C$	300	104⅛	104⅞		8.79
KFW INT FIN 10 01 C$	400	104⅛	104⅝	+⅛	9.30
NIPPON TEL & TEL 10 1/4 94 C$	200	105⅜	106⅛	+⅛	9.21
ONTARIO HYDRO 10 7/8 99 C$	500	107⅞	108	+⅛	9.35
OSTER KONTROLLBANK 10 1/4 99 C$	150	105½	106	-⅛	9.20
QUEBEC PROV 10 1/2 98 C$	200	105⅝	106⅛	+⅛	9.37
BELGIUM 9 1/8 96 Ecu	1250	100	100½		9.10
CREDIT LYONNAIS 9 96 Ecu	125	98	99⅛	+⅛	9.54
DENMARK 7 5/8 96 Ecu	250	92⅞	93½	+⅛	9.82
EEC 7 5/8 94 Ecu	200	96¼	96⅝	+⅛	9.54
EIB 10 97 Ecu	1125	104½	104⅞		8.96
FERRO DEL STAT 10 1/8 98 Ecu	500	103⅞	104		9.26
ITALY 10 3/4 00 Ecu	1000	109⅝	109⅞	+⅛	9.08
UNITED KINGDOM 9 1/8 01 Ecu	2750	101⅛	101⅜		8.91
BP AMERICA 12 1/4 96 A$	100	107⅝	108⅛	-⅛	9.93
COMM BK AUSTRALIA 13 3/4 99 A$	100	117¼	117¾		10.39
EKSPORTFINANS 12 3/8 95 A$	75	109	109½		9.20
EUROFIMA 14 5/8 94 A$	75	111⅛	111⅝		9.18
MCDONALDS CANADA 15 95 A$	100	114½	115	-⅛	9.92
NAT AUSTRALIA BANK 14 3/4 94 A$	150	110⅛	110⅝		9.38
STATE BK NSW 14 1/4 99 A$	100	117¾	117⅞		10.84
UNILEVER AUSTRALIA 12 98 A$	150	108¼	108¾		10.14
VOLKSWAGEN INTL 15 94 A$	100	110⅞	111¼		9.65
ABBEY NATL TREAS 13 3/8 95 £	100	106⅛	106½	-⅛	10.97
ALLIANCE & LEICS 11 3/8 97 £	100	100½	100⅞	+⅛	11.21
BRITISH GAS 12 3/4 95 £	300	105⅛	105⅜	+⅛	10.64
DEUTSCHE BK FIN 11 94 £	225	100⅞	101⅛		10.55
EIB 10 97 £	536.5	98⅞	99⅛	+⅛	10.31
FINLAND 10 1/8 97 £	100	99⅛	99⅝	+⅛	10.29
INTER AMER DEV 11 3/8 95 £	75	102¼	102⅝		10.52
ITALY 10 1/2 14 £	400	98	98¼	+⅛	10.72
LAND SECS 9 1/2 07 £	200	84⅞	85⅛	+⅛	11.64
NORWAY 10 1/2 94 £	200	100⅛	100⅜	+⅛	10.39
ONTARIO 11 1/8 01 £	100	102⅛	102½	+⅛	10.73
SEVERN TRENT 11 1/2 99 £	150	101½	102⅛	+⅛	11.17
SKANDINAVISKA ENSK 13 1/8 95 £	100	105	105⅜	-⅛	11.15
TOKYO ELEC POWER 11 01 £	150	102⅛	102½	+⅛	10.61
WORLD BANK 11 1/4 95 £	100	102⅛	102⅝		10.44
ABBEY NATIONAL 0 96 NZ$	100	63⅞	64⅜	+⅛	9.72
BNP 12 96 NZ$	50	109⅝	110½	+⅛	9.19
CEPME 10 95 FFr	2000	101½	101⅞	-⅛	9.45
ELF-AQUITAINE 9 99 FFr	600	98⅛	98⅝	-⅛	9.34

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.50	99.60	10.6425
BANCO ROMA 0.03 01	200	91.50	92.50	6.4675
BELGIUM 1/16 97 DM	500	99.96	100.06	9.5000
BFCE -0.02 96	350	99.99	100.09	4.9175
BNP 05	300	95.38	96.25	5.5625
BRITANNIA 1/10 96 £	150	99.08	99.28	10.6625
CCCE 06 ECU	200	99.95	100.05	10.1563
CITIZENS FED 0.15 96	100	99.60	99.98	5.9625
CREDIT FONCIER -1/16 98	200	99.96	100.06	5.3438
DENMARK -1/8 96	1000	99.81	99.91	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.94	100.04	9.5156
ELEC DE FRANCE 1/8 99	400	100.70	101.08	6.0625
FERRO DEL STAT 94	200	100.53	100.78	5.9375
HALIFAX 1/10 94 £	200	99.94	100.04	10.5375
IRELAND 98	300	99.50	99.60	6.4400
ITALY 00	500	100.32	100.42	6.3750
LEEDS PERMANENT 1/8 96 £	200	99.37	99.51	10.4375
LLOYDS BANK 1/10 PERP S 3	600	81.25	83.25	6.0375
MITSUI FIN ASIA 1/8 96	100	99.60	99.70	5.9375
MORGAN (JP) 1/4 97	250	99.00	100.00	5.2500
NAT WEST FIN 3/16 05	400	91.00	92.00	5.5000
RENFE 98	500	99.85	99.95	5.0000
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]6250
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]4875
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]2500
YORKSHIRE BS 1/10 94 £	[illegible]	[illegible]	[illegible]	[illegible]5063

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

e sales
budget deficit

Treuhand to sell Minol and Leuna

By Leslie C[illegible]

INTERNATIONAL CAPITAL MARKETS

Water companies to draw on fresh finance

Simon London asks whether the wrangle with regulators will increase funding costs

THE low profile of the UK water companies in the two years since privatisation is about to change as bond market investors are asked to finance a large chunk of the industry's £28bn capital expenditure plans.

The increasing prominence of the companies as borrowers makes the current debate about the future regulation of the water companies of more than academic interest to the bond market.

The industry regulator, Ofwat, has proposed that the companies raise gearing from an average of 35 per cent to between 50 per cent and 75 per cent by 1994. It argues that debt finance is cheaper than equity finance and that the total cost of capital can be cut to 5 to 6 per cent (from 7 to 8 per cent) by increasing the debt-to-equity ratio.

The water companies disagree. In a response to Ofwat this week, they disputed the regulator's cost of capital calculations and argued that a pricing formula based on this lower cost of capital will leave them unable to generate sufficient profits.

The proposed changes are of concern to bond market investors for three main reasons:

● More highly-geared water companies will almost certainly be of lower credit quality. Bond investors will demand a higher return as a result;

● A restrictive pricing formula could leave the water companies short of cash and, again, make them more risky credits;

● Higher gearing would entail a higher level of borrowing from the debt markets and a heavier supply of new bond issues in the second half of the decade.

In the two years since privatisation, most of the water companies have kept a low profile in the debt markets. Most began life as public companies with cash in the bank and with a stock of cheap finance from the government.

In total, the 10 companies began with net cash holdings of £1.2bn and a "green dowry" of £1.5bn from the government, although this was not evenly distributed among them.

However, by the end of March this year, cash holdings had been run down to £490m, and this will accelerate as capital expenditure increases.

Mr Bill Dale, at Warburg Securities, estimates that the sector will show net debt of £860m by the end of March next year and at least £3bn by the end of the financial year 1993-1994.

These estimates exclude any funding required for diversification away from the core water utility business.

Hence the water companies will be heavy borrowers in the capital markets during the 1990s, whether or not Ofwat wins its battle to persuade them to operate with a higher level of gearing.

WATER COMPANY FINANCE (£m)

Company	Cash position pre-flotation	Govt cash injection	Capital exp* 1989-2000
Anglian	-180	-81	5,100
Northumbrian	107	123	1,330
North West	189	330	6,170
Severn Trent	322	361	5,775
Southern	20	46	1,970
South West	257	288	1,850
Thames	102	-12	5,425
Welsh	226	278	2,570
Wessex	70	81	1,960
Yorkshire	49	89	3,400
TOTAL	1,182	1,498	35,490

Minus figures = debt position. *Estimate, assuming 4.5 per cent annual inflation. Source: Warburg Securities

So far, the majority of debt finance needs have been met by the European Investment Bank, the supranational lending agency. The EIB commands a top triple-A credit rating and is the most active borrower on the international bond market. As such, it can borrow at extremely fine rates — a benefit which is passed through to companies which borrow from it.

So far this year, the EIB has lent just under £400m, providing loans to all of the water companies apart from Anglian. However, this is not substantially more than the £384m lent to seven water companies in 1990 and £294m lent to five companies in 1989.

The EIB will only lend for projects which meet its lending criteria. These include investment to improve the quality of water supplies and sewerage services. Moreover, the EIB will only provide 50 per cent of the cost of any project, the rest must come from other sources — either the debt markets or out of cash flow.

Hence as cash holdings are run down and the water companies look to diversify away from the core water supply business, access to the bond and banking markets will become more important.

Of the six sterling bond issues by water companies since privatisation, three (two from Anglian Water and one from Thames Water) were to finance investment in the core water utility business. These bonds carry the guarantee of the subsidiary water utility company which generates most profit.

The other bond issues (two by Severn Trent and one by Welsh Water) were used to finance diversification. This is more expensive because the bonds cannot carry the guarantee of the core water utility company or be secured on the assets of the water company.

Other than high-profile public bond issues, some water companies have raised funds from private placements of debt securities with institutional investors. For example, North West Water, which has spent £138m on acquisitions in the engineering sector, including the purchase of three US companies, raised $75m from a private placement with US institutions.

Balance sheet management techniques, such as the sale and lease back of properties, have also proved a useful source of funds. Warburg Securities estimates that the 10 companies have raised £1.2bn in the two years since privatisation by applying private sector balance sheet management techniques to assets which were not exploited under public sector control.

However, the scale of the companies' financing needs means that private placements and structured financings will only be of marginal importance. Large amounts of straight debt finance will have to be raised from banks and the bond market: the gearing ratios of the companies and pricing formula they work under will be central to how much this borrowing costs.

Dresdner Bank to quit Liffe trading floor this month

By Tracy Corrigan

DRESDNER Bank, Germany's second largest, will end its trading presence on the floor of the London International Financial Futures Exchange on December 13.

As a result, Dresdner traders will not move into Liffe's new premises at Cannonbridge on December 16.

The bank will remain a member of the exchange, which it joined in 1987, and of the clearing house. Dresdner will also continue to trade on Liffe's automated pit trading (APT) system, a screen-based system which allows members to trade contracts after-hours.

A Dresdner Bank official said the decision to end the bank's presence on the exchange floor results from the increased activity on the Deutsche Terminbörse, the German Futures Exchange, which makes it possible to transact a large part of customer business, as well as the bank's own business, on the DTB.

In recent months, leading German banks have shifted their bund futures trading from Liffe to the Deutsche Terminbörse in an effort to boost liquidity in the German exchange's contract, which had been languishing. The German banks financed the setting up of the DTB, which started trading in January 1990.

Dresdner plans to use other Liffe contracts when the need arises. Trading will be undertaken through brokers on the Liffe floor, an approach already adopted by a number of banks.

The move is unlikely to have any large effect on the volume of contracts traded on Liffe, since the shift of German bank business in bund futures to the DTB has already taken place.

None of Liffe's other four German members, DG Bank, Deutsche Bank, Hessische Landesbank and Westdeutsche Landesbank, has plans to leave the exchange.

Deutsche Bank, which now channels most of its bund futures business through the DTB, will be increasing its activities on Liffe in other areas. The bank is about to be appointed a market-maker on Liffe's struggling Ecu bond future contract (along with San Paolo, Swiss Bank Corporation, Tokai International and Union Bank of Switzerland). Deutsche also expects to increase its gilt futures trading, when it becomes a gilts market-maker next year.

DG Bank, which has also shifted the bulk of its bund futures trading to the DTB, is not active in other product areas. "For the time being, no change is envisaged," said Mr Hans Rieppel, managing director of DG Investment Bank in London.

WestLB is not active on the Liffe floor, trading mainly through brokers, but it does not plan to pull out of Liffe, while Hessische Landesbank has increased its activities on Liffe in non-German products this year.

● In a headline in some editions of Wednesday's Financial Times, it was incorrectly reported that Deutsche Bank was leaving Liffe. The headline should have referred to Dresdner Bank.

Latin American debt rebounds

LATIN American debt has bounced back sharply from its lows on the secondary market this autumn, recovering some of the ground lost when this year's bubble in the region's sovereign debt burst, writes Richard Waters.

The recovery has been fuelled by a marked change in investors' attitude to Brazil. After a strong rise in the secondary market price of Brazil's external debt this year to 40 cents in the dollar, the price fell back to just 21 cents in late October.

By yesterday, though, the price had recouped a substantial part of its lost ground, with Brazilian debt trading back above 27 cents.

The rebound has been caused by renewed confidence in Brazil achieving a Brady-style debt reduction deal in the months ahead, traders said. Mr Paul Luke, of Chartered WestLB in London, said steady buying from Brazil had helped to support the rise.

The bubble in Brazilian debt earlier this year had been fuelled largely by aggressive buying by market traders, many of whom had taken long positions in the expectation of further rises ahead.

The paper losses they had taken following the collapse in October meant there was greater caution now, observers said.

Underwriters bid for $500m EIB mandate

By Simon London

UNDERWRITING firms in the international bond market were yesterday bidding for the mandate for a $500m 10-year issue by the European Investment Bank (EIB), expected to be launched today.

Firms understood to have been invited to bid for the mandate included Goldman Sachs, Paribas Capital Markets, UBS Phillips & Drew and Kidder Peabody.

The deal will probably emerge as a block trade, with a small group of firms underwriting the whole deal. This approach allows the banks to pare fees, reducing the overall cost of funds to the EIB.

Fees for this type of transaction are usually 20 basis points for management and underwriting firms, with a selling concession of 12.5 basis points.

INTERNATIONAL BONDS

By putting in a bid including lower fees, firms increase their chances of winning the prestigious mandate.

Against this, there is substantial risk if the issue is poorly received by investors and the underwriters are left holding tightly-priced, long-dated paper.

Syndicate managers not involved in the bidding process commented that the deal should be launched at a yield spread of 25 to 28 basis points over US Treasury bonds. However, the EIB is keen to achieve the lowest possible cost of funds and this could result in a tighter yield spread.

The success of a very tightly-priced deal could turn on demand from Italian investors. Bonds issued by the EIB and other supranational agencies of which Italy is a member are exempt from withholding tax, a benefit which the government may soon withdraw.

The European Coal and Steel Community, which also benefits from the tax concession, yesterday opted to increase its five-year D-Mark deal launched on Tuesday rather than launch a new issue in the Eurodollar or Canadian dollar sectors.

The 8⅝ per cent deal was increased to DM550m, from DM320m, assisted by strong buying from Italian investors.

Another supranational agency borrower active in the market was the Inter-American Development bank, which launched a well-received SFr300m 10-year deal lead managed by Crédit Suisse. The bonds traded at less ¼ of a point bid, comfortably inside full fees.

Forte long-term debt rated A2 by Moody's

By Simon London

FORTE, the UK hotel group, has been assigned an A2 long-term credit rating by Moody's Investors Service, the US credit rating agency.

This is the first time that the company's long-term debt has been formally rated, and it follows the launch of a $175m five-year bond issue last week.

Commenting on the decision, Moody's said that the rating was based on an expectation that recent weak cash-flow caused by recession in the US and UK economies would soon be reversed.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Societe Generale(a)†	102	zero	94.20	1993	15/10bp	Sanwa Int.
Postipankki(a)†	102	zero	94.09	1993	15/10bp	Sanwa Int.
Ryoden Trading(a)♦	100	3⅞	100	1995	2¼/1½	Daiwa Europe
Svenska Handelsbanken(a)†	51	zero	94.01	1993	15/10bp	Sanwa Int.
FRENCH FRANCS						
Credit Local de France(b)†	2bn	zero	45.329	2001	(b)	CCF
SWISS FRANCS						
Inter-American Devt.Bank(c)†	300	7¼	101½	2002	-	Credit Suisse
GUILDERS						
ABN Amro Bk Holding NV(c)♦	500	9⅛	100½	2002	-	ABN Amro
D-MARKS						
Euro.Coal & Steel Comm.(d)†	550	8⅝	101.40	1998	1⅞/1½	Dresdner Bank

*Private placement. §Convertible. ♦With equity warrants. †Floating rate note. †Final terms. a) Non-callable. b) Management & underwriting fee - 22bp, no selling concession fee. Non-callable. c) Subordinated issue. Coupon payments made in guilders but principal redeemed in US dollars. Each bond has a put warrant attached to sell US dollars for guilders. d) Amount increased from DM320m. Non-callable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Wednesday December 4 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Dec 3 Index No.	Mon Dec 2 Index No.	Fri Nov 29 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (180)	728.92	-0.8	9.49	6.69	13.42	33.34	734.48	736.96	745.80	716.84
2 Building Materials (23)	853.72	-1.6	8.71	7.30	15.16	41.75	867.68	868.83	887.81	977.08
3 Contracting, Construction (30)	906.47	-1.5	8.79	8.08	16.25	51.30	919.86	931.98	953.43	1145.13
4 Electricals (10)	2321.64	+0.7	10.39	6.37	12.26	98.23	2304.96	2318.52	2360.03	1868.60
5 Electronics (25)	1633.45	+1.5	11.32	5.84	11.20	52.97	1609.51	1622.34	1637.59	1533.20
6 Engineering-Aerospace (8)	324.61	-0.4	17.27	8.00	6.99	18.52	326.03	322.71	324.25	391.55
7 Engineering-General (43)	455.46	+0.7	10.62	5.49	11.61	17.78	452.10	451.40	453.37	364.90
8 Metals and Metal Forming (9)	303.14	-1.9	2.17	11.61	-	25.21	308.86	310.87	312.59	406.12
9 Motors (12)	286.10	-1.3	9.05	8.42	14.67	17.56	289.73	289.98	290.67	288.73
10 Other Industrial Materials (20)	1461.56	-1.7	8.23	5.61	14.45	58.79	1486.36	1493.20	1510.14	1239.05
21 CONSUMER GROUP (190)	1546.00	+0.6	7.55	3.64	16.35	38.15	1536.72	1522.63	1523.04	1219.56
22 Brewers and Distillers (23)	1884.28	+1.3	8.67	3.63	13.93	39.79	1860.50	1854.76	1860.36	1546.26
25 Food Manufacturing (19)	1186.83	+0.3	9.69	4.26	12.74	33.08	1183.04	1175.35	1183.51	1012.28
26 Food Retailing (17)	2397.58	+0.6	9.67	3.45	13.44	58.56	2383.71	2384.33	2400.89	2276.51
27 Health and Household (23)	4093.67	+1.0	5.03	2.35	22.84	72.62	4054.03	3952.83	3911.45	2511.92
29 Hotels and Leisure (24)	1248.40	-0.4	8.17	5.67	15.15	45.61	1253.13	1259.32	1262.41	1232.30
30 Media (25)	1424.28	+0.1	7.29	4.99	17.98	47.66	1423.25	1420.03	1435.11	0.00
31 Packaging, Paper & Printing (17)	733.67	-0.7	7.36	4.53	16.47	24.43	738.89	735.89	739.91	512.93
34 Stores (32)	973.01	+0.3	7.72	3.81	17.01	26.74	970.21	964.11	962.31	809.06
35 Textiles (10)	603.51	+0.8	7.66	5.15	16.65	21.18	598.90	593.19	601.25	428.06
40 OTHER GROUPS (111)	1181.32	....	10.14	5.56	12.45	38.39	1181.24	1185.69	1193.22	1007.83
41 Business Services (12)	1397.74	+1.2	7.11	4.68	17.86	46.93	1381.08	1368.72	1369.77	0.00
42 Chemicals (21)	1386.48	+0.3	7.19	5.29	17.26	54.15	1381.82	1379.77	1386.06	1053.83
43 Conglomerates (11)	1303.29	-1.7	11.12	8.04	10.98	38.95	1326.09	1360.67	1374.35	1298.15
44 Transport (14)	2206.33	+0.7	5.78	5.11	22.83	79.12	2190.27	2194.10	2240.98	1881.70
45 Electricity (16)	1155.03	+0.2	15.31	5.73	8.49	27.53	1152.55	1152.60	1152.41	0.00
46 Telephone Networks (4)	1414.07	-0.5	11.10	4.43	11.77	28.34	1420.75	1425.05	1433.42	1168.75
47 Water (10)	2198.20	+0.6	19.24	7.16	5.73	131.43	2184.95	2209.55	2222.08	2143.17
48 Miscellaneous (23)	1764.22	+0.8	5.68	5.62	24.20	73.58	1750.47	1743.90	1749.80	1572.30
49 INDUSTRIAL GROUP (481)	1223.97	+0.2	8.71	4.78	14.36	37.70	1221.81	1218.28	1223.48	1032.09
51 Oil & Gas (19)	2216.43	....	11.66	6.33	11.34	104.27	2215.41	2234.35	2224.23	2329.83
59 500 SHARE INDEX (500)	1310.53	+0.2	9.06	4.96	13.94	42.97	1308.42	1306.43	1310.63	1138.60
61 FINANCIAL GROUP (91)	706.90	-1.0	-	6.59	-	33.01	714.13	716.48	719.50	721.80
62 Banks (9)	806.85	-1.9	4.94	6.58	39.68	37.46	822.38	830.09	836.08	760.55
65 Insurance (Life) (7)	1409.76	-0.4	-	6.01	-	63.68	1415.98	1425.21	1435.04	1316.78
66 Insurance (Composite) (7)	515.55	+0.2	-	8.46	-	32.94	514.30	504.77	502.77	634.49
67 Insurance (Brokers) (10)	983.93	-1.8	8.30	6.80	15.85	49.14	1001.96	993.29	996.02	1006.33
68 Merchant Banks (7)	465.67	-0.3	-	4.62	-	14.84	466.86	468.10	468.97	359.06
69 Property (35)	833.37	-0.5	6.05	5.64	24.07	28.81	837.56	845.96	848.52	977.78
70 Other Financial (16)	236.00	-0.4	11.22	7.41	11.21	11.85	236.86	236.56	237.07	250.30
71 Investment Trusts (70)	1148.53	+0.8	-	3.76	-	30.42	1139.13	1125.89	1139.93	1007.95
99 ALL-SHARE INDEX (661)	1166.58	....	-	5.13	-	40.06	1166.18	1164.78	1168.95	1035.59

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 3	Dec 2	Nov 29	Nov 28	Nov 27	Year ago
FT-SE 100 SHARE INDEX♦	2423.8	+3.6	2441.6	2418.7	2420.2	2414.9	2420.2	2428.6	2447.5	2152.6

FIXED INTEREST

PRICE INDICES	Wed Dec 4	Day's change %	Tue Dec 3	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	122.00	+0.02	121.97	2.41	10.75
2 5-15 years (27)	134.56	+0.45	133.95	2.97	11.84
3 Over 15 years (8)	143.14	+0.75	142.08	2.85	11.50
4 Irredeemables (6)	156.62	+0.85	155.30	1.15	13.68
5 All stocks (69)	132.92	+0.33	132.47	2.78	11.60
Index-Linked					
6 Up to 5 years (2)	167.05	....	167.04	0.65	3.16
7 Over 5 years (9)	148.43	+0.09	148.29	1.19	3.83
8 All stocks (11)	149.88	+0.08	149.75	1.11	3.81
9 Debs & Loans (62)	112.10	+0.56	111.48	1.62	10.59

AVERAGE GROSS REDEMPTION YIELDS		Wed Dec 4	Tue Dec 3	Year ago (approx.)
British Government				
1 Low	5 years	8.82	8.89	9.57
2 Coupons	15 years	9.54	9.62	10.20
3 (0%-7¾%)	20 years	9.54	9.62	10.24
4 Medium	5 years	9.92	9.97	10.87
5 Coupons	15 years	9.69	9.78	10.59
6 (8%-10¾%)	20 years	9.63	9.72	10.51
7 High	5 years	10.15	10.19	11.01
8 Coupons	15 years	9.78	9.87	10.79
9 (11%-)	20 years	9.69	9.78	10.71
10 Irredeemables	†	9.72	9.80	10.47
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.93	3.93	3.85
12 Inflation rate 5%	Over 5 yrs.	4.32	4.33	4.18
13 Inflation rate 10%	Up to 5 yrs.	3.31	3.30	2.60
14 Inflation rate 10%	Over 5 yrs.	4.15	4.15	4.00
15 Debs &	5 years	11.43	11.51	12.63
16 Loans	15 years	11.26	11.33	12.41
17	25 years	11.09	11.15	12.20

♦Opening index 2419.7; 9 am 2433.4; 10 am 2436.6; 11 am 2431.1; Noon 2423.1; 1 pm 2424.4; 2 pm 2427.1; 2.30 pm 2432.5; 3 pm 2427.6; 4.10 pm 2423.3; (a) 9.30am (b) 8.35am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											
-	F.P.	-	66	61	Do. Geared Units	61½		M4.91	-	10.6	-
§44	F.P.	-	45	43½	Do. Income 1p	44		M4.91	-	14.9	-
100	F.P.	-	102	97	Do. Package Units	97		M4.91	-	6.7	-
-	F.P.	-	37	35¼	Do. Zero Div Pf	35¼		-	-	-	-
§500	F.P.	-	505	495	Morgan Grenfell Eq. Unit	498	+2	-	-	-	-
♦	F.P.	-	24½	24	Pacific Prp Zero Dv Pf	24½		-	-	-	-
50	F.P.	-	54	39	‡Simpsons of Cornhill 5p	39		-	-	-	12.1
100	F.P.	-	102	100½	St. Davids Zero Div Pf	100½		-	-	-	-
-	F.P.	-	3	1½	Wills Group Wrrnts	3	+½	-	-	-	-

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	61	2	19
Other Fixed Interest	14	1	4
Commercial, Industrial	221	347	928
Financial & Property	126	135	515
Oil & Gas	9	27	55
Plantations	1	2	7
Mines	24	36	92
Others	37	52	56
Totals	493	602	1,676

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
100p	Nil	12/12	12½pm	½pm	Attwoods	½pm	-½
120	Nil	5/12	23pm	7pm	Brent Chemicals 10p	7pm	
42	Nil	17/12	2pm	½pm	‡Corporate Services 40p	½pm	
[illegible]							

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	100¼p	100p	Barings 9¼pc Non-Cum. Prf. £1	100¼p	
10p	F.P.	-	10p	8p	Bottle Mining 10pc (Net) Cv Prf 1994	10p	
100	F.P.	-	102½	98½	Camborne Inds. 10½pc Rd. Deb. 2001	105½	
100p	F.P.	-	103p	100p	Fidelity Euro. Values Equity Ln 2001	100p	
105	F.P.	-	105	98	Greencore 9.5% Cnv Un Ln Stk 1995	98	-2
100p	F.P.	-	104p	100¼p	NatWest Bank 9pc Prf Series A	100¾p	

TRADITIONAL OPTIONS

● First Dealings Dec. 2
● Last Dealings Dec. 14
● Last Declarations March 5
● For settlement March 16

For rate indications see end of London Share Service

Calls in Aviva Petm., Berisford Intl., BTR warrants '94, Brent Walker, B. Elliott, Monarch Res., Smith & Nephew, Tullow Oil and Ultramar. Puts and calls in ASDA, Costain and Tullow Oil.

LONDON TRADED OPTIONS

[illegible]

TRADITIONAL OPTION 3-month call rates

[illegible]

UK COMPANY NEWS

A large number of institutional bids are at premium to current price

BT share offer heavily subscribed

By Hugo Dixon

INSTITUTIONAL investors have increased both the price and size of their bids for shares in the government's £6bn British Telecommunications sale.

The government said yesterday that indications of interest now total £4bn, compared with £3bn a week ago. Because demand from small investors has also been strong, institutions are likely to be offered only £2bn of stock.

A "substantial proportion" – understood to mean considerably more than half – of the institutions' bids has been at premiums of between 5p and 15p above the 347p at which existing BT shares are trading. This compares with a zero premium last week.

Institutions have been prepared to bid above the market price because the value to them of deferring payments of three instalments has been calculated at 20p.

The total number of applications from small investors, who had to apply by 10am yesterday, is expected to be about 3m. The average size of applications from small investors is 520 shares.

If the expectations materialise, the BT sale will have attracted the third largest number of applications of any government sale, after the 5.7m made when the regional electricity companies were privatised and 4.5m at the time of the British Gas sale.

The government confirmed yesterday that strong demand from small investors meant it was expecting to allocate two thirds of the offer to them and increase the size of the offer to 1,578m shares.

Institutions do not have to make their final bids until 5.30pm on Friday. The price of their bids will help determine the price of the third instalment and so the total price to be paid. Small investors are paying 110p as a first instalment with institutions paying 125p.

The government said the final price would be determined by a "desire for an orderly after-market." This is understood to mean that it wants the partly paid shares of 125p to rise by 5-10p.

In the "grey market", run by IG Index, the financial bookmaker, the partly paid shares yesterday evening were being quoted at a 10p premium.

The government is keen to avoid a political scandal which it believes would occur if the shares shot up to a huge premium.

Nevertheless, the Labour Party accused the government of handing out £800m in "City fees, sweeteners and subsidies" connected with the sale.

Mr Gordon Brown, the party's trade and industry spokesman, said the total cost to the taxpayer was nearly £2bn if the fall in the value over the past month of the BT stake the government is planning to sell was included.

A change of tone from BT's new manager

A LESS gung-ho approach to global expansion combined with a sharper focus on residential customers was indicated yesterday by British Telecommunications' new group managing director, writes Hugo Dixon.

In his first public speech since he took the job in September, Mr Michael Hepher warned that globalisation was "in danger of becoming a fetish". He said it could become "an excuse for getting immersed in long-term strategic planning at the cost of getting the simple things right in the here and now."

His comments marked a sharp change of tone compared with the ambitious goal set by Mr Iain Vallance, BT's chairman and chief executive, of turning the company into the world's leading telecommunications group.

They reflect a perception that BT's international strategy to date has not been particularly successful. BT itself accepts that its investment in Mitel, the Canadian equipment manufacturer, was a failure, although it still defends its investment in McCaw, the US cellular operator, and its launch of Syncordia, which aims to provide global services to multinational customers.

But Mr Hepher told the Financial Times World Telecommunications Conference in London yesterday that BT and other telecommunications groups were "having a hard time convincing ourselves that some of these investments are the best use of our resources."

He also spoke about the value of BT's residential customers – in contrast to the company's previous line which stressed that these were losing it money. "I don't want to make any distinctions between major corporations and single line residential users – all customers are good customers," he said.

The change in tone is expected to be followed by a determined effort to persuade small customers to use the telephone more and so increase their profitability to the company.

One of the reasons Mr Hepher was chosen to be group managing director was because, in his previous job as chairman of Lloyds Abbey Life, he was successful in persuading Lloyds Bank customers to buy other products such as life assurance and pension plans.

He said BT had the chance to offer customers "services that make a real difference to their lives, services that do more and cost less, services that offer them easy access to improved facilities."

CSI shares plunge after profits warning

By Michiyo Nakamoto

CANNON Street Investments saw its shares plunge from 98p to 20p after it issued a profits warning and said it was unlikely to pay a final dividend.

The announcement comes only months after the mini conglomerate, with interests in electronics distribution and hotels and financial services, launched a £46.7m rights issue which attracted only a 33 per cent take up.

Cannon Street also said that a revaluation of certain assets was likely to lead to "sizeable" balance sheet provisions against their carrying value.

Mr William Hislop, the chief executive who had seen the group through its rapid growth in the eighties, as well as three rights issues which raised about £150m since 1986, stepped down as chairman yesterday.

He is being replaced as group chief executive by Mr Robin Binks, the managing director.

Mr David Davis, formerly finance director of Wiggins Teape, is becoming group finance director. Three directors have left the main board to concentrate on operational responsibilities at subsidiaries.

Cannon Street is refocusing its businesses on key profit earners, mainly its distribution businesses, and reviewing many of its asset-based activities, Mr Binks said. "We would like to get out of these in due course," he said.

The group hopes to reduce its bank borrowings, currently at £73m, partly through divestments.

It is also moving away from its original strategy of developing businesses with a view to eventual flotation.

The main assets being revalued are the group's hotels, some of which have been developed fairly recently and which are carried in the books at cost.

Cannon Street said that continuing weakness had affected its traditionally important final quarter of trading. It expects "a small profit" before tax and provisions in the year to December 1991.

GEC rises to £346m but warns of 13,500 job losses this year

By Charles Leadbeater, Industrial Editor

THE GENERAL Electric Company expects to shed about 13,500 staff this year as part of a cost cutting drive which helped it to increase pre-tax profits for the first half by £4m to £346m.

Lord Weinstock, GEC's managing director, said the rise in profits, on a £96m increase in turnover to £4.49bn for the six months to September 30, showed that its European joint-ventures in telecommunications, power engineering and consumer goods were working.

He said the group was weathering the recession, spending heavily on rationalisation and yet maintaining its spending on capital investment and research and development in part because of the joint-ventures.

Lord Weinstock said sectors of the UK economy were still "remarkably inactive" and the company was planning on the basis that trading conditions would remain very tough.

GEC shed 8,750 staff in the six months to March. Mr David Newlands, the company's finance director, said it would maintain the same rate of job losses in the second half.

The strongest performances came from the power systems division, which is part of GEC's joint-venture with Alsthom of France in power engineering. It made pre-tax profits of £65m (£58m) on a £55m increase in turnover to £1.26bn.

Alsthom's margins, which were 2 per cent when the venture was formed in the late 1980s, have been improved to about 5 per cent – still some way short of the 9 per cent norm at GEC.

The telecommunications division, which is mainly part of a joint-venture with Siemens of Germany, made pre-tax profits of £60m (£53m) on a £2m increase in turnover to £582m.

The largely US-based medical equipment business, the consumer goods businesses of Hotpoint and Creda, office equipment and the electronic components business also improved profits.

The interim dividend is held at 2.55p.

See Lex

Ashley Ashwood

Lord Weinstock: The group is weathering the recession

Analysts call for Hanson to buy

By Roland Rudd

HANSON, the Anglo-American conglomerate, yesterday disclosed details of its individual businesses for the first time.

The results showed the group was continuing to weather the recession well, although analysts still doubt that it can maintain its impressive 28 years of increased pre-tax profits unless it makes significant acquisitions.

Hanson's reported a 6 per cent increase in trading profits to £975m (£923m). The businesses are divided under three headings: industrial, consumer and buildings products.

Industrial products reported the following results:

- Coal Mining's trading profit increased from £59m to £170m on sales of £1.1bn (£521m).
- Chemicals' trading profit was down to £136m (£187m) on sales of £563m (£608m).
- Material handling's trading profit fell slightly to £49m (£53m) on sales of £276m (£309m).
- Gold mining's trading profit increased to £38m (£31m) on sales of £98m (£81m).
- Other industrial products saw trading profit fall from £73m to £57m on sales of £800m (£763m). Profits of office products in the US fell by 19 per cent as price competition for a reduced market forced prices down.

Consumer products were divided into Tobacco and other businesses. Tobacco's profits increased from £225m to £240m on increased sales of £2.6bn (£2.4bn).

The other consumer products sector increased trading profit to £107m (£83m) on sales of £702m (£672m).

Building products were divided into three divisions:

- Aggregates' trading profits were down from £102m to £69m on sales of £573m (£677m).
- Forest products and lumber's trading profit of £44m (£2m) on sales of £178m (£54m), were boosted by Cavenham Forest Industries' ten-month profit contribution.
- Other buildings products saw trading profit fall to £65m (£108m) on sales of £732m (£759m).

Costain raises £101.3m from property disposals

By Andrew Taylor, Construction Correspondent

COSTAIN, the UK construction, property and mining group, yesterday sold its British investment property portfolio for £101.3m in a move to reduce borrowings and improve its financial position.

The company's share price, which had been under pressure in recent days, recovered 8p to 59p following the announcement. The shares had been trading at 220p in March.

Costain has sold 11 investment properties to Great Portland Estates, the property group, in a cash and shares deal worth £84.3m. It has also sold for £18.6m cash its interest in Nicholson's Walk shopping centre, Maidenhead, to Pensman nominees.

The proceeds will be used to reduce Costain's net debt from £295m to £194m. The debt figures exclude £70m of off-balance sheet finance and £40m of redeemable preference shares.

Gearing, which previously had stood at about three quarters of shareholders' funds, is expected to reduce to about 60 per cent after property development and housing land provisions which the company is expected to announce at the end of the year.

The sale price of the investment properties was less than their book value of £128.1m.

Mr Peter Costain, chief executive, said the sale would have a positive impact on earnings per share next year.

He said that interest payments on the remaining borrowings were more than 3½ times covered by the £40m a year cashflow which currently was being generated by the group's US and Australian coal mining operations.

Costain, which recently agreed the sale of a development site in Australia for £10m, has identified a further £25m to £40m of potential sales including a gold mine and waste disposal business in the US.

Mr Costain said the group would, in future, concentrate on its cash-generating mining, building and civil engineering interests.

The company, however, was expected to incur a pre-tax loss of £20m this year after property and land provisions likely to be about £30m.

Costain, under the terms of the deal with Great Portland, will receive £56.3m cash and 17.5m Great Portland shares of which 10m are being placed with institutional investors at 150p per share to raise £14.9m.

The remaining 7.5m shares are to be retained by Costain.

See Lex

Unit Trust chief attacks privatisation programme

By Philip Coggan, Personal Finance Editor

MR PHILIP Warland, director general of the Unit Trust Association, yesterday attacked the government's privatisation tactics on the day applications closed for the BT offer.

"Privatisations which entice people with certain swift gains are a perversion of capitalism. It replaces the desire to save with the lust for greed" said Mr Warland.

The traditionally conservative UTA is launching an aggressive marketing campaign with slogans such as "Why settle for a quickie with BT when you could have a fulfilling relationship?". Unit trusts have recently been facing fierce competition from investment trusts.

Investors who contact the UTA's special telephone line will be sent details of three from a panel of nine trust managers who are willing to exchange BT and other privatised shares for a unit trust holding.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Airsprung Furniture, Alba, Drummond, Eastern Electricity, Great Universal Stores, Greycoat, In Shops, Murray Split Capital Trust, New London, Phoenix Timber, Pilkington, PowerGen, Premier Group, Scapa, Tiphook, Viech, Wellman.

Finals- Grand Metropolitan, Radio Clyde, Regina Health & Beauty, Smith & Nephew, Westland, Wharfedale.

FUTURE DATES

Interims-	
Abtrust New Dawn Inv	Dec. 13
Baileys	Dec. 17
M & G Second Dual	Dec. 11
Smith (WH)	Jan. 29
Smith New Court	Dec. 12
TR Technology	Dec. 12
Verson Intl	Dec. 19
Wyko	Jan. 15
Finals-	
Countryside Props	Dec. 12
ML Laboratories	Dec. 12
Mining & Allied Supplies	Dec. 12
Titon	Dec. 10
Venture Plant	Dec. 9

UK COMPANY NEWS

Yorkshire Water posts 12% advance to £64.1m

By Michiyo Nakamoto

YORKSHIRE Water yesterday raised its interim dividend by 10.2 per cent, the highest increase among the 10 privatised water companies which have announced interim results so far, as it posted a 12 per cent rise in pre-tax profits to £64.1m from a previous £57.4m.

However, the distribution of 6.5p (5.9p) did not excite the City and the shares lost 2p to 358p during the day before recovering to close at 359p. Earnings per share were up at 30.9p (27.3p).

Yorkshire has already announced that it is keeping its charge increase for next year below the allowable maximum.

The company, which last year raised its charges less than the maximum allowed by its licence, achieved the profits increase on turnover up by nearly 14 per cent, from £193m to £219.5m.

Sir Gordon Jones, chairman, said that the effect of the recession on the company's balance sheet had been limited and that it had benefited from better management of its businesses; training of employees was a main priority, he added.

Nonetheless, operating costs increased by 9 per cent, largely due to the dry weather during the period and the need to increase spending on improving the quality of water. The drought had cost the company about £2m on an annualised basis, Sir Gordon said.

Capital expenditure of £190m was ahead of target, with 140 sizeable schemes already completed. Net interest payable totalled £3.3m compared with £3.9m receivable last time.

Yorkshire has been expanding into the liquid waste management business through its Enterprise division.

It announced the purchase for £7m of Fospers, the second liquid waste tanker company it has acquired, and expects to conclude a third acquisition by the end of this week, Sir Gordon said.

Profits from the non-regulated business amounted to about £2m after interest. Yorkshire expects to achieve about £20m in turnover from external business in the full year.

● COMMENT

There were few convincing explanations for yesterday's fall in Yorkshire's shares, following the highest dividend increase at the interim stage. After all, Yorkshire has one of the most highly regarded managements and, as one analyst put it, "has all the risk-free attractions of Anglian without any of the drawbacks." Having been ahead of the others in investing to meet quality regulations, it is progressing steadily with its capital programme and, on the non-regulated side, with its liquid waste treatment business, although some would say this is progressing in a somewhat uninspiring manner. Full-year profits are forecast at near £130m, and in the long term Yorkshire has its obvious attractions. But one reason for yesterday's fall in the shares is that investors decided to take the dividend and run, on the basis that the yield of 7.2 per cent is at a near 8 per cent discount to sector average.

Williams' can renew Racal bid, says Lilley

By Roland Rudd

WILLIAMS HOLDINGS, the industrial conglomerate, was yesterday given the go-ahead by the government to renew its £827m bid for Racal Electronics, following its guarantee that it would sell part of Racal's business should it gain control of the company.

In accordance with the advice of the Office of Fair Trading, Mr Peter Lilley, trade and industry secretary, agreed to accept Williams' undertakings to sell Racal's locks and safes business within 15 months.

The Takeover Panel had said that the bid timetable should remain frozen until Mr Lilley had seen representations from interested third parties in the locks and safes businesses. The unfreezing of the bid means that Racal will have until the end of Friday, day 39, to release new financial information. This is expected to include interim results and a profits forecast.

Williams will then have seven days to decide whether to increase its bid. It is expected to make an announcement early next week so that the 14-day period before the bid closes takes place just before Christmas.

Williams yesterday wrote to Racal's shareholders accusing their board of leading the company into decline. Williams said Racal made losses of nearly £10m in the last financial year and that its business had not kept pace with inflation over the past four.

It also said that Racal's operating margins in businesses representing 81 per cent of its total sales are now lower than they were four years ago.

Bass beats expectations with £508m

By Philip Rawstorne

BASS, the UK's leading brewer, exceeded market expectations with a strong performance that limited the decline in full year pre-tax profits to 5 per cent.

The result, down from £535m to £508m, included an exceptional provision of £55m for the cost of closing two breweries during the next three years.

Operating profit for the year ended September 30, including a £26m contribution from surplus pension funds, fell 1.4 per cent to £622m (£631m) on turnover 1.8 per cent lower at £4.38bn (£4.46bn).

Earnings per share decreased from 107p to 92.7p but a final dividend of 25.7p lifts the total for the year to 35.6p.

Mr Ian Prosser, chairman, said the result had been robust in the current difficult economic circumstances.

The group's core brewing business demonstrated its resilience in the face of the recession. Operating profit rose 10.6 per cent to £185m (£168m) on turnover ahead 2.1 per cent at £1.55bn (£1.51bn). Margins improved by nearly one percentage point to 12 per cent.

Overall beer volumes fell 3.8 per cent compared to a market decline of 4.8 per cent. But Draught Bass, the premium ale brand, increased volume sales by 15.5 per cent and Stones bitter gained volume and share in the standard ale market.

Profits from pub retailing, reflecting both the recession and the pubs disposal programme, were 6.1 per cent lower at £231m (£246m) on turnover which fell from £1.28bn to £1.17bn.

Takings in managed houses increased by 4.5 per cent in the north of the country but dropped 1.5 per cent in the Midlands and the south.

Bass has now sold more than 1,800 pubs as part of its disposal programme to meet the requirements of the government's beer orders, and has 500 left to sell by November next year. Prices have been running 20 per cent above book value and total profit so far amounts to £310m. An extraordinary profit of £120m is included in the accounts for disposals during the year.

Holiday Inn, in the first full year of worldwide ownership, contributed an operating profit of £103m, 6.5 per cent down on last year's £110m. Turnover declined more steeply, 9.5 per cent lower at £570m (£630m),

Ashley Ashwood

Ian Prosser: a robust result in the difficult environment

but occupancies and room rates in the US were better than those of mid-market competitors.

Profits from leisure operations fell 3.4 per cent to £62m (£64m) on marginally lower turnover of £1.02bn. Betting and amusement machine operations were badly hit by the recession but the group's 157 bingo clubs, relaunched as Gala clubs since the Granada acquisition, "made good progress."

Britvic soft drinks contributed slightly lower profits of £42m but increased its share of the carbonated drinks market.

See Lex

Cape declines 28% to £7.2m

By Peggy Hollinger

THE SLOWDOWN in the construction industry hit profits at Cape, the fire protection, insulation and building products group, which revealed a 28 per cent decline to £7.2m in pre-tax profits for the six months to end-September.

Turnover rose by 2 per cent to £97.8m. Operating profits fell by 27 per cent to £6.4m, however, as the sales increase arose from a buoyant industrial products division, which has lower margins. Industrial products accounts for almost 62 per cent of total sales.

Mr Jeffrey Herbert, chairman, said in his statement that the group had experienced "one of the most difficult business environments . . . in the UK for many years". He warned that the severe recession in the group's main markets was likely to continue well into next year.

The building and architectural products division experienced "particularly harsh conditions", he said. Turnover fell by 6 per cent to £37.8m with the largest decline in the UK. Operating profits in this business fell from £6.4m to £4.2m.

Acquisitions boosted turnover in the industrial services business by 10 per cent to £60.5m. Operating profits increased by 9 per cent to £3m.

Higher tax charges, combined with the lower profits, depressed earnings per share by 4.7p to 9.3p. The interim dividend is held at 3p.

Acquisitions prompt 6% gain at BTP

By Michiyo Nakamoto

ACQUISITIONS WERE behind a 6 per cent rise in interim pre-tax profits at BTP, the acquisitive speciality chemicals and industrial group.

The group saw higher pre-tax profits of £8.81m from a previous £8.32m in the six months to September 30 mainly as a result of the acquisition of an adhesives business in Europe and one in the UK for £15.5m and £3.5m respectively, according to Mr Rob Martin, finance director.

The shares fell nearly 5 per cent to 229p on the day.

The businesses apart from those acquired saw flat results over the period. The group now has some 60 per cent of its sales overseas; 41 per cent of its turnover is in the UK against 20 per cent in the US and 20 per cent in Europe. Geographically, "we're well spread," said Mr Martin, "but we seem to be well spread in markets that are in recession."

The UK textile coatings it supplies for three-piece suits, one of their main products in the domestic market, saw demand drop significantly in the first half. This was balanced to some extent by resilience in the leather chemicals and brewing chemicals businesses.

The overall rise in profits came on increased turnover of £82.5m (£73.1m). The interim dividend is up by 5 per cent to 3.1p (2.95p) on earnings per share down to 7.29p (7.39p).

Although certain cuts in the labour force have been made earlier in the year, "we can't do much more," Mr Martin said.

Gearing is low at 25 per cent and interest is covered 16 times. The group expects to be able to benefit from any recovery, which it sees coming mainly in its domestic furnishings and vehicle adhesives activities. The second half has started satisfactorily but no improvement has been noted in world wide market conditions.

Siebe shares advance 30p on news of modest 12% decline

By Peggy Hollinger

DEPRESSED DEMAND and higher interest charges hit profits at Siebe, the controls, engineering and safety products group, which yesterday unveiled a 12 per cent decline at the pre-tax level to £75.2m for the six months to September 30.

However, the market welcomed such a modest decline amid a severely depressed sector, and marked the shares up 30p to 468p.

The costs of the Foxboro acquisition, which pushed gearing above 100 per cent last year, more than doubled interest charges from £16.1m to £33.7m. Operating profit was £7.5m higher at £108.9m on turnover up by 19 per cent to £812.9m.

Mr Barrie Stephens, chairman and chief executive, said strict control of costs had protected margins. "In the last six months we have generated £43.6m cash," he said. As a result, gearing had been cut by 15 percentage points to 88.4 per cent.

The rise in turnover was purely due to Foxboro, the US instruments and controls group which contributed a full six months, compared with just one month last time. Excluding the US group, sales fell by 1.25 per cent and profits were 16 per cent down on last year.

Order books for the whole group were slightly down at £425.5m (£445m). Despite the decline, Mr Stephens said the group was increasing its market share, particularly in the temperature and appliance controls business which accounts for 66 per cent of turnover. Siebe is already the world's second largest appliance controls manufacturer.

The group's compressed air business suffered from the decline in housing starts and underground mining. Specialist engineering was also hit by a sharp fall in demand.

Mr Stephens was optimistic about the second half, saying it should prove slightly better than the first.

Earnings per share fell by 3.5p to 22.1p. The interim dividend is raised 10 per cent to 6.05p.

● COMMENT

Yet again Siebe has defied its critics, posting a far more gentle decline than anyone had a right to expect. The underlying performance looks good, with some recovery in the appliance control business. The few niggling fears surround Siebe's practice of capitalising research into areas such as software. Balanced by depreciation, this put an extra £9m on to profits. Forecasts for the year start at about £150m. The prospective p/e of 11.3 times leaves the shares looking fairly attractive for the sector.

NEWS DIGEST

Mansfield provides bright spot

MANSFIELD BREWERY yesterday provided a bright spot in an otherwise indifferent sector results season.

The company, which last year withdrew from peripheral activities such as carpet cleaning to concentrate on its core business, lifted profits by some 41 per cent to £6.36m pretax for the six months to September 28.

The shares rose 23p to 514p.

The increase from last time's £4.53m came on turnover ahead to £58.9m (£54.4m) and was struck despite increased interest charges of £3.1m (£2.14m).

Mr Geoffrey Kent, chairman, said the profits improvement also reflected tighter controls and moves to reduce the company's cost base.

Draught beer sales volumes were up 2.2 per cent, helped by improved market share and April's acquisition of 28 houses. These were performing to expectations, he said.

Packaged beer sales volumes jumped 33 per cent, while last year's investment programme resulted in sharply higher profits in the restaurant division.

Earnings per share advanced to 28.4p (19.1p); the interim dividend is raised from 3.6p to 4p.

Pacific Property in split capital move

Pacific Property Investment Trust has been reconstituted as the Hong Kong Investment Trust, a split capital fund.

The reshaped trust is the first to specialise in Hong Kong, and the first split capital trust to concentrate on Far Eastern equity markets.

There are two classes of share capital: zero coupon preference shares which will be repaid at 43p in 1996, offer a gross redemption yield of 12.6 per cent; and ordinary shares which will receive all the income of the trust but will be repaid in 1996 only after the zeroes have been redeemed. The initial gross yield on the ordinary shares will be 8.9 per cent.

Shareholders in Pacific Property were given one new zero and one new ordinary share for every existing share. The reshaped trust, managed by Jupiter Tyndall, will have 20m zeroes and 20m ordinaries.

Hanover Druce shares suspended

Following the breakdown of discussions with various parties, Hanover Druce, the estate agent and property and financial services group, yesterday requested suspension of the shares pending clarification of the financial position.

Rowlinson hit by finance charges

Rowlinson Securities, the Cheshire-based property group, experienced a fall in pre-tax profits from £966,000 to £503,000 for the six months to end-September.

Gross rental income rose to £1.62m (£1.16m) but finance charges took £909,000 more at £971,000. Tax accounted for £166,000 (£338,000) leaving earnings per share at 2.7p (5.03p). The interim dividend is maintained at 0.24p.

John Tams suffers 69% fall to £0.36m

John Tams, the USM-quoted ceramics group, suffered a 69 per cent fall to £362,000 in pre-tax profits for the six months to September 27.

The downturn, from £1.17m, came on turnover 10 per cent lower at £8.5m. Interest charges amounted to £209,000 (£250,000).

The interim dividend is maintained at 1.59p from earnings of 1.05p (3.6p) per share.

Morris Ashby improves 6%

Morris Ashby, the USM-traded specialist aluminium diecasting group, returned profits of £481,000 pre-tax for the half year ended September 30. That marked an improvement of 6 per cent over last time's £453,000.

Turnover expanded from £5.66m to £6.85m. Earnings per share emerged at 4.36p (4.04p) and the interim dividend is a same-again 1.7p.

Murray Enterprise assets up 32%

A 32 per cent rise to 89.04p in net asset value in the year to September 30 was achieved by Murray Enterprise, which invests in unlisted non-technological and electrical companies.

Directors said that during the year £6.04m of loan stock was redeemed at a cost of £3.26m leaving £8.29m outstanding at the year-end.

Revenue before tax for the year to September 30 amounted to £400,000 (loss £6,053). Earnings per share were 4.36p (losses 0.16p).

Mountview Ests falls to £3.54m

Profits before tax of Mountview Estates, the property dealer and investor, declined from £4.01m to £3.54m over the half year ended September 30.

Turnover fell to £6.89m (£7.12m) and earnings per share to 51.7p (57.7p).

The interim dividend, however, is being lifted by 2p to 8p.

UK COMPANY NEWS

Investment leaves Salvesen flat

By Andrew Bolger

CHRISTIAN SALVESEN, the distribution, manufacturing and specialist hire company, yesterday reported flat pre-tax profits of £36.1m in the six months to September 30.

Mr Chris Masters, chief executive, said: "Whilst economic conditions have played their part, the pause in growth in pre-tax profits relates more to our heavy investment directed at improving the potential for next year and beyond."

Total group turnover amounted to £246.5m against £217.4m. Interest payable rose sharply to £2.9m (£400,000).

Distribution saw trading profits increase by 13 per cent to £14.9m.

The group said increased volumes from customers such as J Sainsbury and Marks and Spencer produced a good result in the UK.

However, trading profits in continental Europe were 43 per cent down, with Germany incurring a loss and continuing to be a sizeable problem. Significant progress had been made in the US, where the business was now much less dependent on commodity cold storage.

The manufacturing division saw a 9 per cent drop in trading profits to £10.8m. This was mainly because Salvesen Bricks' trading profits dropped from £3.5m to £2.4m, although it sold 10 per cent more bricks in a very depressed market.

Food services reported a slight increase in trading profits to £7.8m (£7.5m), even though the pea crop was down by 17,000 tonnes.

Vikoma, which makes pollution control equipment, saw trading profits fall 33 per cent to £600,000 following the integration of Hoyle, a *Liverpool* manufacturer of booms and skimmers.

Specialist hire increased trading profit by 19 per cent to £13.3m. Most of the group's £52.7m of capital expenditure went on Aggreko, which hires out generators.

The group said Salvesen Oilfield Technology had a difficult six months because oil companies were concentrating on work required by the Cullen Report.

Earnings per share were 4 per cent higher at 9.01p (8.66p). The interim dividend is raised by 5.4 per cent to 2.9p (2.75p).

Trevor Humphries

Chris Masters: improving potential for 1992 and beyond

● COMMENT

The fact that a bad pea harvest could be shrugged off shows how far Salvesen has developed from its previous identity as a trouble-prone underperformer. The results were in line with expectations, but are *still impressive at this stage of* the economic cycle. Even more impressive is Mr Masters' confidence that profits will grow, even without any significant recovery. The shares have outperformed the market by 35 per cent in the past year, so some of this good news is already in the price. Forecast *pre-tax profits of £67m for the* year put the shares, down 7p to 235p, on a multiple of 14 – not undemanding for those prepared to take a long-term view.

Porter Chadburn down 22%

PRE-TAX profits at Porter Chadburn, the leisure products, packaging and distribution company, dropped 22 per cent, from £3.68m to £2.87m, in the six months to September 27.

Mr Raymond Dinkin, chairman, ascribed the downturn to the "depressed level of consumer spending in the UK" which had put a brake on the consumer leisure products division.

Turnover here, however, increased by 35 per cent thanks to the first-time input of Gola Group and Adam Leisure.

Lord Label, the US labelling business, responded well to *management and operational* changes and the focus on margins – sales in the packaging side rose 7 per cent and operating margins 8 per cent.

Group turnover advanced to £63.2m (£55.7m) and operating profits fell by £597,000 to £3.86m. Interest took more at £988,000 (£774,000).

Earnings per share worked through at 3.03p (4.08p) but the interim dividend is lifted by more than 6 per cent to 0.85p.

Exceptionals exacerbate sharp drop to below £1m at Avon

By Peggy Hollinger

AVON RUBBER, the British-owned tyre company which also manufactures industrial polymers, yesterday announced a severe drop in pre-tax profits, from £10.6m to £965,000, largely due to the exceptional costs of a reorganisation unveiled in October.

Excluding the £5.76m costs of closing a factory and relocating production, pre-tax profits still fell by 37 per cent to £6.72m for the year to September 28. Sales moved ahead, however, from £224.8m to £227.2m. The final dividend is maintained at a proposed 11.5p, for an unchanged total of 16.5p.

Mr Tony Mitchard, chief executive, said margins had come under pressure across the board, "but not necessarily because of prices. Demand has been so poor . . . we had to cut production, and that comes straight off the bottom line." Stocks had been cut by £4.5m during the year, which together with a pension holiday, helped ease debt from £33m to £27m. Gearing was 46.8 per cent (55.7 per cent) at the year-end.

Gross margins fell from 16.5 to 15.2 per cent.

Mr Mitchard stressed that the group – which produces high performance tyres, especially for the motorcycle market – had made a "reasonable profit" in that business.

Tyres account for about a third of group sales, and automotive products for another third.

The Gulf war was good news for industrial polymers which increased operating profits by 7.5 per cent to £8.5m as a result.

"If we had not had the Gulf *business, profits would not* have been as good as the year before," said Mr Mitchard.

The inflatables business, which manufactures rubber products for the leisure industry, had been disappointing. Although a small part of overall turnover, that division had incurred a £1.8m operating loss, Mr Mitchard said.

Earnings per share plummeted from 30.8p to 1p. Excluding exceptionals, earnings stood at 19.9p.

James Latham falls to £121,000

James Latham, the timber and building merchanting group, reported a £101,000 decline in profits to £121,000 pre-tax in the six months to September 30.

The fall was struck after crediting a profit on site disposal of £270,000.

Mr Christopher Latham, chairman, said the market had been at a depressingly low level, although there had been some improvement in sales as the year progressed.

Mr Latham said that although October had shown some positive signs of an upturn and many customers had tried to be optimistic, their order books on the whole remained thin.

Turnover for the period fell from £36.6m to £30.5m.

Earnings, after tax of £40,000 (£78,000), dipped from 2.07p to 0.82p per share.

The interim dividend is reduced from 2p last time to 1.5p.

East Midlands Electricity improves sharply to £24.7m

By Juliet Sychrava

EAST MIDLANDS Electricity yesterday reported a rise in pre-tax profits from £6.2m to £24.7m for the half year to September 30.

Earnings per share of 8.2p (2.8p) were in line with City expectations, but an interim dividend of 5.1p was at the top end of analysts' forecasts.

Mr John Harris, the chairman, said sales of electricity units were up 3.7 per cent after a cold spring, though the year-end figure would be lower.

However, a strong regional economy and a diminishing bad debt problem meant the company should continue to enjoy good growth.

Margins improved in the core business and in retail, *where profits were around* £1m.

The supply business was on line to make around £15m for the full year, before subtracting the unexpectedly high £10m "uplift" charge all regional companies now anticipate paying for bulk electricity purchases from the pool.

East Midlands has spent £40m on acquisitions – notably the Thomas Robinson Group's contracting business, and security company Ambassador – and gearing was high relative to other regional electricity companies at 31.7 per cent, compared with 38.3 per cent the previous half year.

● COMMENT

Diversification was the buzz word at East Midlands' analysts' meeting yesterday, with the City still unsure whether the company would have done better to leave its £40m expenditure on new businesses in the bank. Mr Harris, who is committed to selling energy services, rather than bulk electricity, said 18-month figures might convince brokers of his strategy of 30 per cent of earnings from non-core businesses by the end of the decade: the energy services business had doubled its turnover in two years already, he pointed out. He may yet be proven right. Mr Harris is still viewed as a strong manager, but there is some mystification as to where he is leading the company – especially on power generation. East Midlands has signed one good cheap power station contract, which will stand it in good stead in the future, if the regulator allows regional companies to keep profits from the supply business – as will the company's determined and successful pursuit of supply customers. But the company's ambitions for power generation abroad may leave investors with an uncomfortable feeling that East Midlands has ideas above its station. All this has left East Midlands trailing the regional pack somewhat, on a prospective p/e of between 6.1 and 6.5. Analysts' forecasts range from around £140m to £150m, with the final dividend expected to be about 17p, an increase of close to 14 per cent.

Fyffes gathers a war chest and waits for its boat to come in

Tim Coone on the fruit distributor's growth plans

FINDING Fyffes' financial headquarters among the gridlocked traffic in the labyrinth of Dublin's wholesale fruit and vegetable market is like trying to spot a canary in a banana plantation.

At the indicated address an articulated truck half blocks the narrow lane. A fork-lift bumps over the pavement and disappears into a neighbouring fruit and vegetable store.

No sign other than "Fyffes top floor, reception" written in biro next to a bellpush gives any indication that here is the nerve centre of the UK's and Ireland's principal fruit and vegetable distributor, with plans to rank alongside Europe's biggest.

Upstairs, in the office of Mr Carl McCann, the group's deputy chairman and chief financial officer, a framed painting of a Victorian scribe, sitting on a tall stool and filling out a ledger with a feather pen, hangs next to his desktop computer.

The juxtaposition says everything about a company which has evolved from an obscure family firm at the end of the last century in the northern border region of Ireland, to one which last year had a turnover of I£557m (£519m).

Fyffes distributes daily 3,000 tonnes of fresh fruit and vegetables throughout the UK and the Irish Republic, sourced from 65 countries around the world.

The Irish end of the business was founded by Mr McCann's grandfather and his Victorian attitude to debt still guides the company. Mr McCann said: "We have only once ever been a net borrower and that was for one month, when we bought out the Fyffes company in 1967."

He said that supplier confidence was a key factor underlying this risk-averse approach. "They know that they will be paid on time."

Having cash in hand, however, is also central to the company's plans for growth.

Now the biggest player in the UK and Irish markets, the company is looking towards the EC, the US and the emerging markets in eastern Europe for its future growth. In the past year the company has spent I£27m on acquisitions.

Earlier this year a rights issue raised I£60m, creating a war chest of some I£100m.

"We are not in a hurry to use it. We are waiting for the right business. When it comes we can move fast. I would be happier still if we had I£200 million," Mr McCann said. In the future the company will be making fewer, but larger deals. "Attractive opportunities come in bigger packages" he said.

Bananas is the core business of the company, but to establish a significant market share within the unregulated sector of the EC market – the so-called "dollar-banana" sector sourced from low-cost Latin American suppliers – means taking on the two giants Chiquita International and Dole, which control about 58 per cent of the market. They effectively act as price-setters.

Fyffes has made no secret of its ambition to buy PPI Del Monte, the world's third biggest fresh fruit distributor, after its parent Polly Peck International ran into insurmountable debt problems in 1990.

Last month, however, Polly Peck's creditors, in agreement with its administrators, unanimously agreed to float the profitable Del Monte subsidiary early next year, rather than sell it, in the hope of raising more than the $700m (£396m) anticipated from a sale.

Del Monte controls about 10 per cent of the unregulated sector of European market for bananas, and would be the perfect opportunity for Fyffes to enter the big league. It would have doubled its turnover and profits.

A flotation of Del Monte is expected early next year, but Mr McCann said Fyffes would not be interested in a minority stake.

A glance through the company's last annual report reveals that Fyffes holds no less than 50.01 per cent in any of its subsidiaries. Most are 100 per cent owned.

A flotation of Del Monte however, will depend on appropriate stock market conditions, and with the ongoing US recession, Fyffes is still keeping its options open. Characteristically though, Mr McCann was coy about what those options might be.

In the meantime, the company is building up its supplies of "dollar bananas" from growers in Honduras, Belize, the Dominican Republic "and one other country", which Mr McCann felt it prudent not to name.

When Fyffes began buying in Honduras in 1990, it became embroiled in a "banana war" with Chiquita. Allegedly, trainloads of bananas were derailed, and its reefer ships were blockaded in Honduran ports. The company's annual report notes "we faced unprecedented interference with our legitimate commercial endeavour". That has since been resolved, but the incident is an indicator of the cut-throat competition that the group faces in its endeavours to break into the big league.

It shows no signs of being intimidated however. The company has now set up a divisional headquarters in Florida, to oversee its Central American and Caribbean operations and in the past 14 months took delivery of two new refrigerated ships, to cope with its new supplies which are now finding their way into European shops.

In anticipation of the Single European Market, and growing demand from eastern Europe, both Chiquita and Dole have reversed their own policies during the 1980s of selling off their Central and Latin American plantations, or converting them into oil palm production, and are once again engaged in building up their own banana plantations to secure their supplies in the face of competition from companies like Fyffes.

Fyffes itself has not yet reached that stage. "We are not interested in going alone in production. We could go in with partners maybe, in joint ventures or with a minority holding", said Mr McCann.

Its cash hoard is clearly being earmarked for securing markets, rather than production facilities.

When an acquisition move comes, probably sometime next year, it will undoubtedly be a big one. And like a tarantula pursuing its prey in a banana tree, will most likely be a stealthy one.

DECLINE OF THE MAXWELL EMPIRE

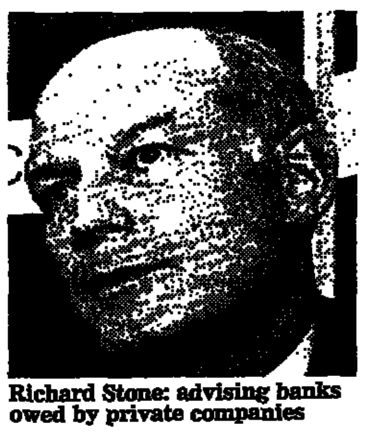
Difficult to account for frenzied appetite for cash

By Robert Peston

MR ROBERT Maxwell's appetite for cash was enormous in the six months before he died on November 5. According to a preliminary report prepared by Coopers & Lybrand Deloitte, the accountants, between May and October almost £600m was channelled to his private companies from his public ones and their pension funds.

Mr Richard Stone, of Coopers, is advising banks owed £900m by the private companies. Bankers said yesterday that at a meeting on Monday, Coopers told them that these private companies owe £700m in total to the Maxwell family's public companies, Maxwell Communication Corporation and Mirror Group Newspapers, and their pension funds.

Mr Stone said yesterday: "In broad terms, that was the picture I painted."



Richard Stone: advising banks owed by private companies

Given that on the most optimistic assumptions, the assets of the private companies are worth something over £1bn, the banks now realise that they face huge losses on their own loans.

Bankers have had time to come to terms with the scale of losses they face and are now analysing the events which precipitated this banking calamity. Interviews with them disclose that Mr Maxwell went into a frenzy of extracting cash from the public companies and their pension funds in the spring and summer.

Coopers' preliminary investigations indicate that since May he borrowed £120m from MCC and £45m from MGN.

In addition, he liquidated stocks held as collateral for borrowings from the public companies' pension funds. The effect of these share sales was to leave his private companies owing the six pension funds £400m but lacking the assets to repay them.

The transfer of resources from the pension funds to the private companies was highly complex. For some time, probably years, the pension funds had been lending shares to the private companies, such as Headington Investments and Robert Maxwell Group.

"These were legitimate transactions," commented a banker, though he added that they were unusual. "There are references to the deals in documentation."

To protect the pension funds, the private companies put up collateral equal to between 125 and 150 per cent of the value of the borrowed shares. However, from the spring, Mr Maxwell started to liquidate the investments held as collateral. In theory, the cash should have been paid back to the pension funds. But it never was. As a result, the pension funds are now owed up to £400m by the private companies and have no security to cover the debt.

The banks are uncertain why the private companies borrowed the shares from the pension funds. Some of the borrowed shares were used as collateral on loans from the banks. As a result, legal title to these shares is now under dispute between the banks and the pension funds.

The extraction of cash from MGN was also ingenious. When it came to the stock market in May, its merchant bank, Samuel Montagu, said that a "ring fence" had been put around it preventing flows of cash to the private companies.

However, in the summer, MGN instructed a company connected to the Maxwell private interests to invest its spare cash in gilt-edged stock. About £45m in cash was paid but the gilts have not been found.

Lastly, MCC has an exposure of about £240m to the private companies. Just under £100m of this is long standing and is not repayable till 1994. Of this long-term portion, £65m was channelled through a company based in Delaware in the US, and about £34m is the deferred payment on a property transaction.

None of these loans are disclosed in MCC's last report and accounts for the year to March 1991. The Delaware company was regarded by MCC's auditors – also Coopers & Lybrand Deloitte – as unconnected to MCC in the context of UK accounting standards, so there was no obligation to disclose the loan, in their view.

However most of the loans from MCC to the family companies – about £120m – has been made in the last few months. These are direct loans, which would have been disclosable in MCC's next set of accounts.

At this stage, no one – including anyone at Coopers – can be sure what all this cash was used for. Mr Maxwell's network of private interests was – and remains – extremely complicated. "Assets and liabilities were scattered throughout different companies," a banker said. "It was a construct that could only have been understood by a man with a brain like Mr Maxwell's – the brain of an ex-army intelligence officer."

Some of the private companies' businesses needed continuous injections of cash. The European, Mr Maxwell's ambitious pan-European newspaper, and the New York Daily News, which he bought in March, were two consumers of funds. In addition, the private companies had to make substantial debt repayments. But this does not provide a full explanation of what happened to the £600m.

"The secret may have vanished with Robert Maxwell," commented a banker. However, Coopers is intent on cracking the mystery.

Daily Mirror makes a clean breast of crisis

By Jimmy Burns

IN the British tabloid press coverage of the Maxwell financial crisis this week, no newspaper has been as boldly upfront as the Maxwell family's own flagship, the Daily Mirror.

"Millions missing from the Mirror," was the headline splashed across the Daily Mirror's front page on Wednesday in response to disclosures that large amounts had gone astray from the Mirror Group Newspaper's (MGN) pension fund.

An accompanying editorial promised readers that the newspaper "will bring you the truth on this matter – as on all matters – as and when we know it, warts and all if necessary."

The coverage contrasted on the day with the more reserved display made by the Daily Mirror's sworn enemy, the conservative Daily Mail. While on previous occasions the Daily Mail has not shied away from exploiting its rival's misfortunes, it thought a poll tax revolt by Tory voters in Essex more worthy of its attention.

Perhaps more strikingly, the Daily Mirror's boldness contrasted with its own record on Maxwell-related stories. While Mr Robert Maxwell was alive the newspaper had a tendency to promote rather than denigrate the activities of its owner. The 'Max-factor' was the term coined by his own staff to describe his interventionist style.

According to one source close to the newspaper, the Max Factor brought its influence to bear in October when the Daily Mirror published a letter on its editorial page by the Mirror Group's pension funds manager, Mr Trevor Cook, defending the handling of the pension scheme. It is now suspected some of the funds had begun to be diverted before the letter was published. The trustees of the funds say they were kept unaware of the transactions.

Mirror Group pensioners who took legal action against the late Mr Maxwell last year over the pensions issue said yesterday he had also threatened members of the National Union of Journalists after they had raised £500 on behalf of the pensioners' fighting fund.

Yesterday Daily Mirror journalists were among those unceremoniously barred by security guards from the offices of pension fund trustees, although some trustees were later reported to have agreed to answer questions.

"We are doorstepping [journalistic jargon for besieging] the pension trustees . . . we are now treating it as a gungho proper operation," one senior Daily Mirror editorial staffer said yesterday.

According to the source, the in-house reaction to the pensions story was more bitter than the come-back over the Nicholas Davies affair, in which the foreign editor accused of Mossad links was sacked for allegedly lying to the paper.

As one staffer put it yesterday: "This has hurt the reporters more than the Nick Davies stuff . . . there are a lot of long-serving people here who are suddenly desperately worried that they've done all that [for the company] and have been ripped off".

He added "That being said we are saying, look the Mirror hasn't defrauded people, its the Mirror pensioners that have been defrauded so the Mirror is going to treat it as a story. We have been mugged so lets find out who mugged us. Lets treat it as a news story. Everybody else is. Why don't we?"

By last night senior staff at the newspaper were welcoming the fact that they had received no phone calls yet complaining about the pensions issue. This was interpreted as a reassuring sign that the latest Maxwell crisis, and its coverage, would not backfire in terms of circulation.

At the newspaper's offices off Fleet Street however, the pensions issue was top of the agenda at a mandatory meeting late yesterday afternoon of the Daily Mirror's National Union of Journalists chapel [branch] where the threat of strike action was raised.

Similar meetings took place at MGN's Scottish titles, the Scottish Daily Record and the Sunday Mail, where journalists spoke of "alarm and disgust" at what they described as growing evidence of pension fund "misuse and perhaps even fraud".

As the Serious Frand Office launched an investigation into the affair, there was also concern among journalists employed by MGN about how the latest disclosures and resignations would impact on the future ownership of the newspaper.

The death of Mr Robert Maxwell has instilled a new spirit of freedom among editorial staff which partly explains this week's coverage. But the fear now is that such optimism could prove stillborn.

Such is the climate of insecurity that one senior journalist commented last night that he wished Mr Ian Maxwell had not resigned as chairman of Mirror Group Newspapers and had been allowed to "have a go" at running his flagship untroubled by the financial crisis now hanging over him like a sword of Damocles.

Colin Beere

Charlie Wilson, editorial director, yesterday: "The staff have survived a number of traumatic periods in the paper's history. At the moment the management are just engaged in making sure the paper comes out tomorrow."

Inquiries blast holes in MGN's flotation fence

By Bronwen Maddox

THE "ring fence" designed to insulate Mirror Group Newspapers from the private Maxwell empire has had "Exocet holes" blasted in it by this week's revelations, in the words of one banker.

The two missiles are that the Serious Fraud Office is investigating the potential losses in the Mirror Group Pension fund, possibly about £300m, and that MGN has also lent Maxwell private companies £45m which it may not now get back.

Those issues raise questions about whether Samuel Montagu and Smith New Court, advisers on MGN's flotation, did all they could to shield the company, or – if fraud is established – whether there were no rules that could have prevented it.

The MGN ring fence, as set out in Section IV of the prospectus, took particular care to establish the independence of the board from other Maxwell interests.

The prospectus was also designed to prevent MGN's assets being used for the private companies, apart from on an "arms-length" basis, on the terms that would be demanded by any outside company.

The advisers insisted on non-compete clauses between MGN and other Maxwell companies, and said that MGN had first right to look at business opportunities.

Samuel Montagu have said in the past "we went to some lengths in the MGN flotation prospectus to make sure MGN was an independent entity".

Many Maxwell bankers agree that they and Smith New Court put much effort into the insulation and were at the time pleased with the result.

However, the shortcomings of a ring fence are illustrated by the loan of around £45m that MGN is understood to have made to private Maxwell companies.

In the months after the flotation, MGN is understood to have instructed a private Maxwell company to invest surplus MGN cash in gilt-edged stock. The gilts have not been found.

The question of whether such a transaction would be strictly against the MGN Memorandum and Articles is a complex legal one, according to bankers observing the crisis.

However, it does not accord with the spirit of the prospectus which indicated that MGN's cash contribution to the private businesses would be simply its dividend. The prospectus also took great pains to spell out all transactions with related parties.

Mr Charlie Wilson, editorial director of MGN, said yesterday that he knew nothing about any loan of £45m.

He said any such loan had not gone through the board. The possibility that MGN was conducting such transactions without board approval will emphasise to many the limitations of a ring fence.

Similarly, bankers have said that if the Serious Fraud Office finds evidence of fraud behind the shortfall in the MGN pension fund, then the ring fence is not necessarily at fault – the losses might have happened whatever rules were drawn up.

Mr Wilson added yesterday that "so far, the items looked at appear to post-date the flotation".

However, the emphasis on the ring fence in the prospectus may have created a sense of security among investors – and MGN's advisers – which, in retrospect, was misplaced.

Yesterday Samuel Montagu was not available for comment and Smith New Court declined to say if it felt the ring fence could have been tightened.

Mr Wilson said: "These are highly energetic and virile newspapers, with great profits . . . The one thing that may be in doubt is their future ownership, if the Maxwells have to sell their 51 per cent."

However, the failure of the attempts to isolate MGN – and the possibility that fraud will be discovered – may be an initial and considerable obstacle to would-be owners waiting in the wings.

Tories under pressure to protect pensioners' interests

By Ivo Dawnay and Richard Gourlay

THE GOVERNMENT was last night under pressure from all sides to take urgent steps to safeguard the interests of pensioners, as the Serious Fraud Office started investigations of the Mirror Group Newspapers' pension fund.

As the Speaker of the House of Commons turned down a call for an emergency debate on the MGN fund, both Labour and the Liberal Democrats pledged legislation to tighten controls on the management of pensions.

At the same time, Mr Robert Hayward, the Conservative MP for Kingswood, revealed that the Department of Social Security looked to be on the point of backing an independent survey into the pensions industry.

The survey would assess the extent to which fund trustees have taken advantage of their positions to act in companies' rather than beneficiaries' interests.

Meanwhile Mr Ian Maxwell, the former chairman of MGN, resigned, along with the rest of the board, from Bishopsgate Investment Management, after discussions with IMRO, the fund management industry watchdog.

BIM is trustee and manager of about half of MGN's pension fund, from which about £300m of the £520m assets at the last audit, are believed to be missing.

Mr Maxwell was chairman of MGN until Tuesday and also a trustee of the Mirror Group Pension Trust with his father, Mr Robert Maxwell, and brother Mr Kevin Maxwell, the former chairman of Maxwell Communication Corporation.

The SFO will also be looking at pension funds from MCC, AGB and others, which are pooled in a Maxwell-controlled common investment fund, assets of which are also managed by BIM.

A trustee of the MGN pension fund said he first knew there were problems two or three days after Mr Robert Maxwell died on November 5. "None of the trustees outside of the Maxwell family had any idea of the depletion of pension fund assets until then," he said.

Bankers close to MGN were shocked at the ease with which the pension fund appeared to have been raided.

"In terms of siphoning off assets, one wonders what other companies are doing it," he said.

As the MGN pension saga unfolded, it emerged that abuse of pension funds was on the increase.

At a press conference at Westminster, held with Mr Sean Hand of Cameron Markby Hewitt, the City solicitors, Mr Hayward said he believed abuse of funds was growing as a direct consequence of company insolvency, brought on by the economic recession.

In a letter dated November 26 from the social security department, Lord Henley, the junior minister, said that while it would be impossible to eliminate all abuses, the proposed survey would be "useful" to identify the extent to which "those put in a position of trust seek to take advantage of that position".

Reaction was swift from the opposition front benches. Mr Michael Meacher, Labour's social security spokesman, called for the government to halt a practice that was becoming endemic. Claiming that the Tories had failed to act despite warnings in a 1989 report by the Occupational Pensions Board, he said that current controls over funds were "vague, uncertain and discretionary".

In its report, the OPB said that many trustees experience conflicts of interest. "If a trustee is, say, the finance director of the employer, and perhaps also a member of the scheme, it will sometimes be difficult for him to know whether he is acting solely in the beneficiaries' interests," the report said.

UK COMPANY NEWS

Receivers expected at Alan Paul

By Peggy Hollinger

RECEIVERS ARE expected to be called in within the next 48 hours at Alan Paul, the USM-quoted hairdressing group, which requested its shares to be suspended at 20p last month.

Bankers are believed to have called up the cross guarantees on loans made to Alan Paul franchisees, which totalled £11m at the time of a rights issue in September. The company helped franchisees get loans from banks by acting as guarantor to the lenders.

Mr Arthur Fabricant, who was appointed chairman less than a month ago, said earlier this week that more than half the group's franchisees were on the company's debtor list. "The company has total support to franchisees on its books of about £1.7m," he said. Alan Paul is known to have supported several franchisees during times of difficulty.

The company's board and accountants Coopers & Lybrand Deloitte were locked in a meeting all day yesterday. Coopers had been commissioned by former non-executive chairman Mr Brian Solomon to carry out an independent review of the company's finances. Mr Solomon quit after just three weeks on the job to make room for an executive chairman.

The board was unavailable for comment yesterday.

Alan Paul ran into difficulties earlier this year, when it became apparent that the Body and Face Place, a beauty products manufacturer and retailer, was incurring heavy losses. The salon side of the business was also facing severe difficulties, contrary to comments made at the time of a £5.3m rights issue in September.

Two executive directors – Mr Alan Moss, who was chairman at the time of the cash call, and former managing director Mr Michael Rowland have been suspended from their duties.

A Liverpool broker said yesterday that a raft of questions would have to be answered regarding the validity of the rights issue if the company goes into receivership.

The banks are believed to have become increasingly uneasy over loans made to franchisees, and the level of the company's support for those businesses. Last year Alan Paul bought in some franchisees who were having financial difficulties.

Franchisees of the company have formed a pressure group, demanding answers to the financial state of the company and the methods by which the franchises were run. Before September, franchisees had a strictly limited access to information regarding payments made from their own business accounts by the accountant commissioned by head office to manage the finances. Several are now facing severe financial difficulties.

An employee of the company said the atmosphere in the head offices was uncertain. "We'd all like to know what is going on," she said.

Penna outcome worse than predicted

By Andrew Bolger

PENNA, which specialises in providing employment counselling for executives, yesterday reported much worse results than predicted in a profits warning in October.

That warning caused shares in Penna, the best-performing stock last year on the USM, to collapse from 255p to 103p and last week Mr Stephen Rowlinson, chairman and chief executive, departed suddenly.

The company yesterday said it had incurred a pre-tax loss of £251,000 in the six months to September 30, compared with a profit of £912,000 for the comparable period last year.

In October, Penna forecast it would make pre-tax profits of "around £100,000". The shares yesterday closed 3p down at 80p.

Mr John Beard, formerly finance director and new chief executive, said the board had decided that it would be prudent to implement more conservative accounting treatments, than those envisaged at the time of the profits warning.

He said: "We have written off the start-up costs associated with those regional offices which have come on stream since the beginning of the year. Similarly the costs of the aborted acquisitions investigated by the previous chairman have been charged to the profit and loss account."

Although turnover increased by 11 per cent to £3.25m, it had not reached the level anticipated when Penna decided to move into new offices beside London's Covent Garden and open regional offices at Bristol, Manchester and Cambridge.

Losses per share of 3.9p compare with earnings of 12.2p last time. An interim dividend of 1p (3.45p) is declared.

Whessoe moves ahead 14% to £7.2m

By Peggy Hollinger

ACQUISITIONS helped boost pre-tax profits at Whessoe, the engineering and pipework group, which reported a 14 per cent increase to £7.4m for the year to September 30.

Turnover rose more sharply by 23 per cent to £57.9m. Mr George Duncan, chairman, said the group had "performed well in a tough environment". Progress had been made in all the group's markets.

Earnings per share rose in line with profits, from 22.8p to 25.9p. The dividend is raised from 4.5p to 5.2p, making a total of 7.2p – 15 per cent higher than last year.

During the year, Whessoe bought two companies – Elcon Instruments based in Milan, Italy, and Connex Pipe Systems of the US – for a total of £12m.

The acquisitions formed part of the group's strategy to build up the instrumentation and control division, Mr Duncan said.

Mr Duncan said the group was trading according to expectations in the early months of the current year. "We believe the two acquisitions will strengthen the group's performance in future," he said.

Shanks & McEwan leaps 60%

By Richard Gourlay

SHANKS & McEwan, the waste management group, yesterday reported a 60 per cent increase in interim pre-tax profits after its acquisition last January of Rechem, the hazardous waste disposal company, but only a 1 per cent increase in earnings per share.

In September Shanks said it would be reporting much reduced earnings growth only two months after Mr Roger Hewitt, managing director, told shareholders that the company would continue to grow significantly faster than the market average.

Pre-tax profits for the six months to September 28 rose from £10.4m to £16.7m on sales up one third at £76.6m.

Earnings per share rose from 6.3p to 6.4p but the company is increasing its interim dividend by 9.8 per cent to 2.24p as a measure of confidence that growth will resume following the recession.

Mr Peter Runciman, chairman, said the results were encouraging given the depth of the recession.

Growth had slowed primarily because of the delay in certain businesses being contracted by Shanks rather than because of an evaporation of that business.

The waste disposal business proved to be recession-resistant during the first half of the year.

The construction division continued to perform well although the order book for next year is below what the group regards as a comfortable level.

Shanks shares rose 3p to 206p, 78p below where they stood before the September warning.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Avon Rubber ......fin	11.5☆	Feb 28	11.5	16.5	16.5
Bass ......fin	25.7†	Feb 10	23.4	35.6†	32.4
BTP ......int	3.1†	Feb 13	2.95	-	8.4
Cape ......int	3	Jan 13	3	-	10.5
E Midlands Elect ......int	5.1	Mar 24	-	-	10.55
GEC ......int	2.55	Mar 31	2.55	-	9.25
Latham(James) ......int	1.5	Feb 11	2	-	8.5
Mansfield Brew ......int	4	Jan 6	3.6	-	12.1
Morris Ashby § ......int	1.7	Mar 31	1.7	-	4.1
Mountview Ests ......int	8	Mar 30	6	-	15
Penna § ......int	1	Jan 16	3.45	-	11.25
Porter Chadburn ......int	0.85†	Apr 1	0.8	-	2.4
Rowlinson Secs ......int	0.24	Jan 24	0.24	-	1.35
Salvesen (C) ......int	2.9	Feb 7	2.75	-	6.6
Shanks & McEwan ..int	2.24†	Jan 20	2.04	-	5.5
Siebe ......int	6.05	Apr 1	5.5	-	16.5
Tams (John) § ......int	1.59	Jan 9	1.59	-	4
Whessoe ......fin	5.2	Jan 31	4.5	7.2	6.25
Yorkshire Water ......int	6.5☆	Feb 28	5.9	-	17.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip alternative.

Lombard North Central tumbles

Lombard North Central, the finance house arm of National Westminster Bank, yesterday reported a sharp fall in profits for the third successive year after heavy provisions against bad debts, writes David Barchard.

Pre-tax profits in the year to September 30 were £3.2m, down from £33.2m. In 1988, the last year before the recession began to affect the company, it made profits of £120m.

Profits before provisions rose from £136.5 to £175m, but bad debt provisions were up from £103.3m to £171.8m.

Earnings per share fell from 14.7p to 12.8p.

The group has reduced its workforce by 340 to 4,400.

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FINANCIAL TIMES SURVEY

MANAGING FOR RECOVERY

Thursday December 5 1991

Falling interest rates have helped business confidence, but it will be months before this has any impact on statistics for failures in the UK. Managing through a recession requires unique skills and policies. **Charles Batchelor** looks at issues managers now need to address

Great care needed now

THE RECESSION was tough; the upturn may be even harder. If previous experience is a guide, failure rates will increase as companies which have managed to hang on through the lean months face additional strain when demand starts to increase.

Businesses which have just about been able to balance their books during the past two years will have to find extra funds to finance new orders. They will have to do this at a time when the banks have reined in corporate lending and when institutional investors have shown little enthusiasm for rights issues.

Managing for recovery will *place even greater strains on* managements still gasping from the pressures of the recession. Companies which want to survive the upturn will need to ensure that growth is steady rather than spectacular and well within their financial resources.

"Last time more companies *went down coming out of the* recession than going in," says Mike Wheeler, a turnaround specialist at accountants KPMG Peat Marwick. "This time they will be buying stocks and increasing their working capital at a time when the banking system is chary of providing finance."

The UK clearing banks have been chastened by the large provisions they have made on their loans to companies, and have tightened up the terms on which they are prepared to lend. At the same time, foreign banks which have suffered during the UK recession will withdraw from the market, or reduce their lending volumes as existing loan agreements expire, Mr Wheeler forecasts.

Most likely to suffer from the tighter market for loan finance are medium-sized, unlisted companies, says Mr Michael Oldham of the corporate recovery department of accountants Smith & Williamson.

These companies lack the *broad asset base of larger*, quoted groups and are less able to strengthen their finances by the sale of property or non-core subsidiaries. Nor are they able to make use of the stock market for rights issues.

The UK stock market's Big Bang and the subsequent shake-out among City firms *has restricted the financing* options open to the medium-sized company, says Gareth Pearce, corporate finance partner at Smith & Williamson. The stockbroking firms which would previously have arranged private placements for these companies have been swallowed up by financial conglomerates with little interest in such deals.

The *tougher obligations* imposed on financial advisers by the 1986 Financial Services Act have further diminished the brokers' appetite to assist middle-ranking companies, Mr Pearce believes.

However, many of the problems of the private business will be shared by the smaller Unlisted Securities Market companies. They have been paid scant attention by the analysts; have been unable to make rights issues; and are generally disillusioned with the supposed benefits of a public quotation.

Several of these companies have turned to the venture capital industry for funds. The venture capitalists have been willing to provide unquoted equity in the form of convertible preference shares to companies such as Pepe, a USM-traded supplier of jeans and casual wear.

But even at a time when companies are starting to prepare for the upturn, the uncertain message of recent economic surveys suggests it would be unwise for managers to take their eyes off the recession. Business confidence is improving, but there is little sign of any upturn in present economic conditions.

After leaping 71 per cent to 33,500 in the first nine months of 1991, business failures will continue to rise after the onset of recovery, according to Dun & Bradstreet, a business information group. Failures rose for two years after the end of the 1981 recession, it points out.

The past 18 months have *exposed inadequacies* in management which appear to justify many of the concerns expressed over the years about the quality of management training in the UK.

Management failings which might have been expected in smaller businesses are not infrequent in large, supposedly *well-managed corporations*.

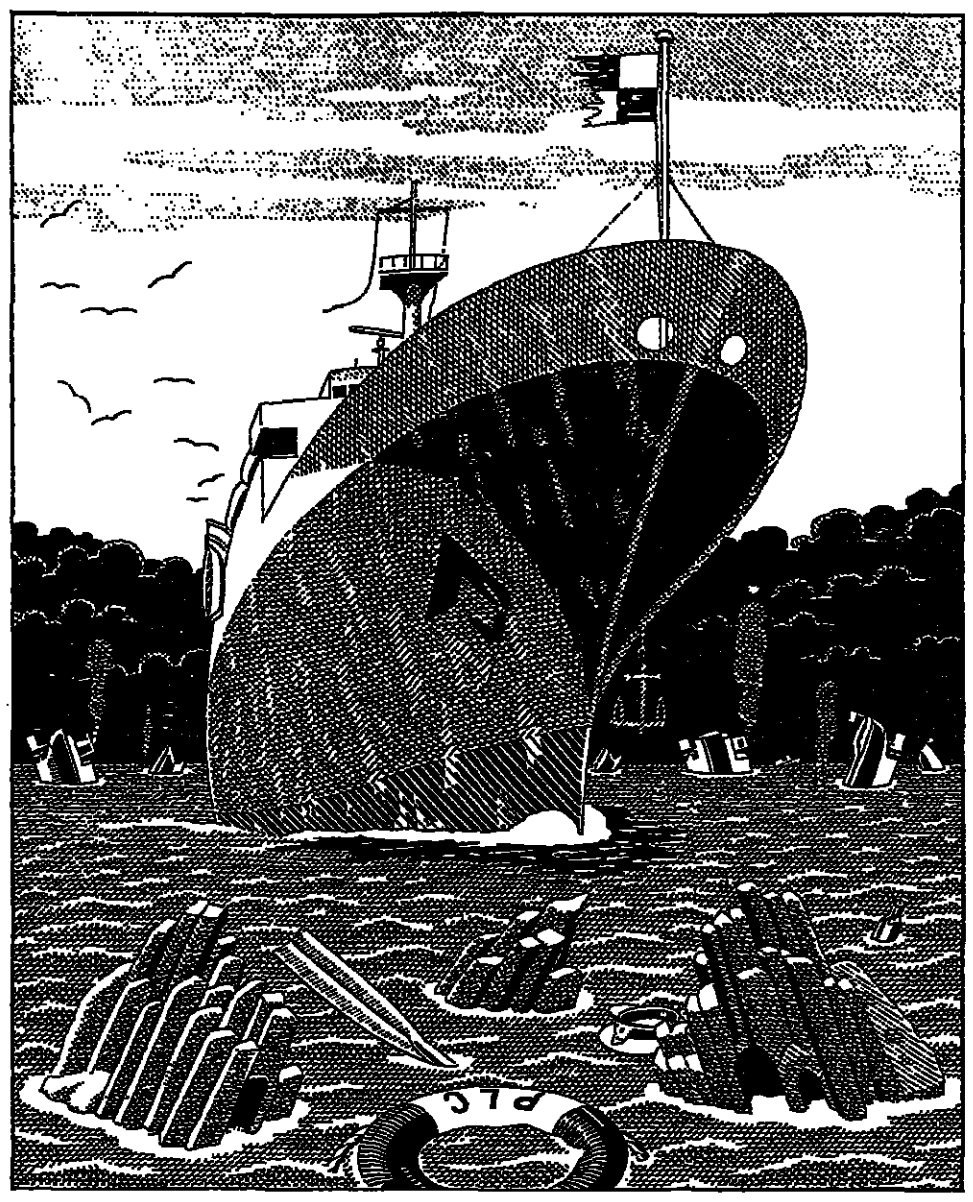
"Companies frequently do not have efficient accounting systems, so they do not know where losses are being made," says Mr Wheeler.

"Managers pay insufficient attention to the markets in which they operate or to the activities of their competitors. They do not realise that profit is not as important as cash flow. We go into some companies, even listed companies, and find there is financial chaos."

A *survey of the management* weaknesses discovered by accountants came up with the following 10 reasons for failure: Poor management; inadequate management information; high gearing; poor financial controls; high interest rates; poor cash management; slow response to changing markets; excessive overheads; lack of a strategic plan; poor communications with banks.

All of these failings (revealed in a survey carried out by recruitment consultants, Harrison Willis) *were* ultimately traceable back to poor management, according to insolvency specialists Cork Gully. Even high interest rates could be planned for by forward-thinking managers, it noted.

But why is financial management so weak in a country blessed with more accountants per head of population than most? The problem is that accountants with the experience and the expertise to become finance directors are still thin on the ground, says Peats' Mr Wheeler. Frequently, strong- minded managing directors do not give their finance director a proper role in decision-making. "When they are making money, many boards of directors think that keeping score is less important," he comments.



Companies frequently do not develop coherent business plans. "In a lot of cases managers don't have *a clue about* what is happening," says Mr Oldham. "Sometimes the numbers are there – but they are not all in the same place."

One company with annual sales of £10m and borrowings of £2.5m had no cash flow forecast for the rest of its financial year, let alone a rolling forecast for 12 months. "They had bits of paper showing their cash position on the day and the state of their bank account," comments Mr Oldham. "They were making investments in plant and machinery financed on overdraft with no idea of the implications of that for future cash flow."

Even when managers realise they have a problem they will often identify it as being simply one of a lack of finance, rather than reflecting any failing on their part. They may then be panicked into looking for extra funds without informing their existing financial backers. "Often companies go out to raise extra finance without checking to see how their bank would react," says Roger Gewolb, a corporate recovery specialist.

This damages the company's relationship with its bank and has been known to lead the bank manager to call in loans. *As pressures build up* on company managers, they will contemplate any course of action except the most sensible one: sitting down to discuss their problems among themselves and with their advisers.

Some managers waste precious time chasing wild schemes to raise finance or *sign up new partners on terms* which would be very unfavourable to their companies, says Mr Gewolb.

Unfortunately for struggling managements, an attempt to give struggling companies more time to arrange their affairs along the lines of the Chapter 11 procedure in the US has proved ineffective. Administrations and a procedure known as a "company voluntary arrangement" introduced in the 1986 Insolvency Act have proved inadequate and unpopular methods for giving a company breathing space. Administrations incur heavy professional fees, with no guarantee that a court will make an administration order, while company voluntary arrangements frequently trigger the creditors' stampede they were meant to prevent.

Since there is no provision in the legislation for a court temporarily to suspend creditors' rights – in contrast with voluntary *arrangements for individuals* and unincorporated businesses – as soon as a company announces a creditors' meeting there is a scramble for the assets.

The experience of the 1990-91 recession suggests that further legislative change is needed to provide a really effective *means of saving struggling* businesses.

But what have the other parties learned from the shake-out that has taken place? The banks have been reminded of the dangers of relaxing sound lending criteria when times are good, although this will bring little joy to managements when the upturn comes.

Managers have been shown, not for the first time, the need for tight controls over finances. Managing the upturn will require a careful balance of planning for growth without allowing expansion to damage already depleted balance sheets.

IN THIS SURVEY

Illustration: Robin MacFarlan

Credit control can make or break, says **Charles Batchelor**

When the buck slows

EFFECTIVE credit control, or put more simply, getting paid on time, frequently calls for a degree of ingenuity. The managing director of one small company recently bought a wheel clamp to immobilise the car of a persistent slow payer. He also sends a cab round to customers who promise to put a cheque in the post, thus guaranteeing the cheque gets written and paid promptly into his account.

The late settlement of trade debts has become a significant concern of organisations like the Confederation of British Industry (CBI) and the small firms' lobby groups. Businesses, particularly small ones which can exercise very little influence over larger customers, are going bust solely because they are not being paid on time.

Nearly one in five small and medium-sized businesses say their survival is threatened by delayed payments, according to a CBI survey published at the beginning of 1991. This represented a marked worsening from four years earlier, which had shown that "only" one in 10 businesses had suffered serious problems.

Britain is not the only country with a poor payments record, though British companies are harder hit than their counterparts in most of continental Europe. British businesses usually write payment terms of 30 days into their contracts, but wait on average 78 days to get their money. This compares with waiting times of 48 days in Germany and Sweden, according to a survey by Intrum Justitia, a credit management group. It calculated that small firms in Britain were owed a total of £80bn by their customers.

Many large companies deliberately adopt a policy of delaying payments to improve their own cash flow. Their small suppliers can do little but wait for their money.

Business lobbyists have been attempting for several years to bring about a change in the law to tighten up on payments. One suggestion is for small businesses to be given the automatic right to charge interest on overdue payments. The government has refused to oblige, arguing that it would be difficult to draw up effective legislation and that any attempt to do so would only add to red tape.

Another tack is to call for changes in court procedures which at present make it difficult for claimants to obtain payment from dilatory customers. The Federation of Small Businesses wants court judgments to be followed by automatic enforcement hearings to ensure claimants actually get their money.

It also wants 30 days to be considered the "normal" payment term, unless a different period is specified in contracts, and the publication of the names of defaulters who have not paid their debts.

So far, these attempts to engineer change have had no effect. There are signs, though, that banks are becoming concerned at the impact of late payment. Lord Alexander, chairman of National Westminster Bank, said last month that legislation might be needed to back up the government's voluntary initiatives.

The banks are keen to throw the spotlight on this issue, having themselves been criticised for levying excessive interest charges. But many disinterested observers agree with the banks that interest charges are a far less important factor in business failure than the late payment of debt.

Sound credit controls should avoid a business getting into a position where it has to chase up late payers. Credit management should start with a thorough investigation of potential customers, the experts suggest.

It may not be cost effective to carry out extensive investigations for a small sale, but if the order is significant a company should ask for a bank reference and two trade references. These should be checked and specific questions asked.

Up to what level of trade is someone considered a good risk? In addition to making its own inquiries a company can ask a credit reference agency to provide detailed assessments of potential customers' finances and their ability to pay their bills.

A company should put its credit policy in writing to cut the time it takes to accept or reject an order and to reduce the likelihood of a wrong credit decision, say accountants BDO Binder Hamlyn. A named employee should be put in charge of the company's credit control policies, and all routine credit decisions.

If the company is dealing with a new or riskier customer, it should take steps to protect its financial position by using letters of credit; making only partial shipments until the payment has been made; asking for personal guarantees; or taking out credit insurance.

Invoices should be prepared promptly, and where possible sent out with the delivery or as soon as it is despatched, Binder Hamlyn recommends. Invoices should be prepared in line with the customer's requirements. A missing purchase order number, for example, may be used as an excuse to defer payment.

Once delivery has been made and the invoice has been sent, payments should be closely monitored. The supplier should decide what action to take at predetermined times. It should be ready to chase payments according to a predetermined pattern, for example when a customer is 30, 45, 60, 75 and 90 days overdue. A telephone call is usually far more effective than a letter.

If a customer disputes a payment because the delivery document were not in order or the goods delivered did not meet the specification, the problem should be investigated as soon as possible. The disputed debt may be a genuine case of poor service or a product quality problem. Whether or not the customer's complaint is justified, early action will speed up the payment.

Cash discounts can be used to ensure early payment, while interest may be charged on overdue accounts. But care must be taken with this approach. Some customers attempt to take discounts even when they have not paid on time, so some companies are wary of using this technique. The supplier must decide in advance if it is worth running the risk of losing a valued customer by re-invoicing him for taking unwarranted discounts, or by charging a penalty for late payment.

Monitoring payments should not be left to the credit department or accounts. Managers can encourage sales staff to deal only with reliable customers by involving sales in the debt collection effort. Commissions might be reduced on overdue accounts to encourage sales staff to contact poor payers. Commission payments can be held up until the invoice involved has been paid. This discourages sales staff from doing business with customers they know will not pay on time.

Credit control is costly and time-consuming, but it also an essential part of managing the business. By taking this issue seriously at an early stage in the sales cycle, companies can at least reduce the drain on their resources.

Cash flow and stock control are vital, writes **Charles Batchelor**

Lesson of the corner shop

MR MICAWBER, Dickens' perpetual optimist, had a sure, if theoretical, grasp of the principle of managing cash flow. "Annual income twenty pounds, annual expenditure nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."

If only Mr Micawber could have steeled himself to apply the theory to his own financial affairs, he would never have had to flee the country and end his days in Australia.

But as recent business failure rates graphically testify, many managers have failed to apply the discipline of cash flow management so succinctly expressed by David Copperfield's genial acquaintance. And while businesses can sometimes survive, for a time, without profits, none can withstand a failure to maintain a positive cash flow.

Smaller businesses often lack the management resources and sophisticated systems available to the large company, but poor cash flow management is prevalent across the board, accountants and recovery specialists report.

Cash management techniques are often rudimentary or non-existent in even quite sizeable subsidiaries of large diversified companies. "In many corporations cash management has not previously existed at subsidiary level," says Terence McKenna, managing director of Corporate Venturing, a corporate recovery specialist.

"Subsidiaries often measure their performance against budgets rather than measuring actual cash flow," he says. "In the past, corporations have tolerated negative cash flows. But subsidiaries are now being forced to stand on their own feet and review their priorities, with cash appearing at the top of the list."

"Every company should be run like the corner shop – for cash," says Roger Gewolb, a corporate recovery specialist. "But the bigger they get, the more reluctant they are to look after the cash." He gave as an example of this reluctance the story of one company which, while doubling its turnover, still refused to take seriously the idea that cash flow should be managed on a weekly basis.

Cash flow planning is essential to ensure a business has money in the bank with which to pay its debtors. Many businesses put all their efforts into gaining orders but fail to realise that the task is not complete until they have received payment. While getting paid on time is an important part of managing cash flow, every area of a company's activities needs to be managed for cash.

Few companies organise every aspect of their business with equal efficiency, according to accountants Blackstone Franks. There may be a bias to production or to sales, which leads to a neglect of financial planning in another area.

"It is worth looking at any business to see if there is a neglected area of cash flow resources waiting to be unlocked," says Lance Blackstone, a partner. Companies should review every step in the sales and production cycle to see if it can be shortened, started earlier or reorganised so that less money is tied up.

Mr Blackstone suggests isolating the different asset headings – fixed assets, investments, stock, debtors, bank balances and cash in hand – on the most recent balance sheet. Management should then see how much money is tied up in each area and how this particular allocation arose in the first place.

Management should ask who controls each area, and which ones tend to win in the competition for resources within the business. Why does a particular area prevail and what implications does this have for management?

Finally, managers should consider whether there is a formal planning procedure to decide on the allocation of resources or whether it happens by default.

The answers to these questions will show whether changes are needed in the way the company sets policy and manages its business.

Stock control is an important area where tight management can reduce the working capital required in the business and boost cash flow, financial specialists suggest. Excessive stocks may increase a company's borrowing requirement and hence its interest bill. They also take up costly storage space and increase insurance charges.

Sophisticated computerised stock control systems are available but they can be complex and costly. Other more simple techniques can also achieve dramatic savings, according to accountants BDO Binder Hamlyn. Managers should get into the habit of periodically walking through the premises, talking to employees and identifying stocks in excess of reasonable needs. This will identify slow moving or obsolescent items which can be sold at a discount or for scrap.

Garment manufacturers and other businesses in fashion-dependent sectors are frequently prone to hang on to unsold stocks in the hope that they will come back into fashion. But this may take years and in the meantime stocks will deteriorate and the cost of financing them will escalate.

One retail store selling jeans and casual clothing detected that hooded tops, all the rage in April, were starting to go out of fashion by June. The company moved fast, cut prices and had almost cleared its stocks by August, when other less responsive retailers were starting to discount.

The first step in reducing excessive stocks is to identify a safe minimum level. Stock levels may be excessive if stock turns over slowly or at rates below the industry average; items remain in store for lengthy periods – "the dust test"; or if stocks continually expand to fill the storage space available.

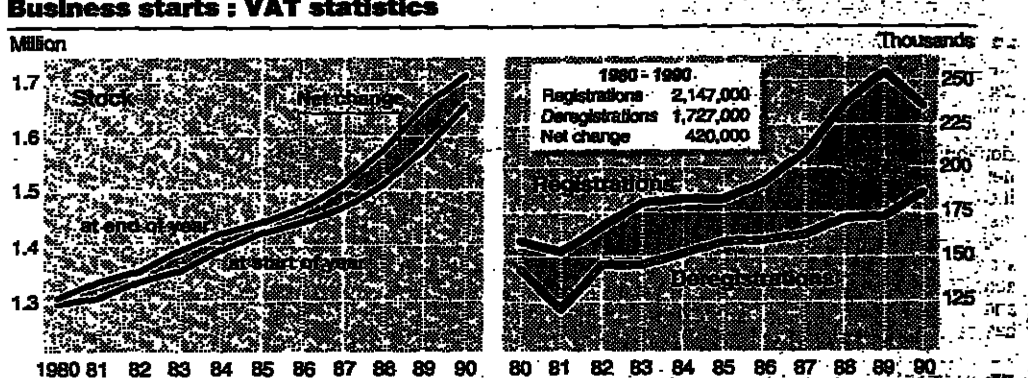
Controlling purchasing is a significant part of stock control, Binder Hamlyn suggest. Purchasing techniques which can lead to significant cost reductions include putting major items out to competitive tender; signing up exclusive buying arrangements; comparing the cost of making versus buying in; and shifting the responsibility for maintaining stocks to suppliers.

Tighter internal controls are an essential part of improving cash flow but external help may also prove useful, particularly to the fast growing business. Factoring, whereby a company sub-contracts the management of its sales ledger, grew in popularity during the 1980s. The factor will pay up to 80 per cent of the value of invoices immediately and the remainder, minus a fee, when the customer pays.

Factoring is a flexible form of financing which, unlike a bank loan or overdraft, expands automatically in line with increasing sales volumes. However, companies must weigh up whether the improvement to cash flow and the removal of the burden of chasing up slow-payers are worth the factor's charges. Some companies will not use factors because they regard them as too expensive, but an increasing number has done so to help them through a difficult stage in their growth.

A trail of "for sale" and "to let" boards, almost outnumbering traders' signs, bears testimony to business troubles

Business starts : VAT statistics



Source: Department of Employment

Andrew Jack on the legal state of play

The 1986 Act controversy

THERE MAY not be many obvious links between insolvency and marriage, but both have been labelled as institutions heavily tarnished by Britain's residual sense of Victorian values.

Steve Hill, a technical partner with Cork Gully, the insolvency arm of Coopers & Lybrand Deloitte, would like to see British attitudes towards companies that are in trouble veering towards the US model.

"In the UK we are still dominated by the idea of the debtors' prison, where you go if you don't pay all your debts," he says. "American culture is much more geared to the concept that the first attempt is always a rescue. We need much more of a rescue culture over here."

Like many in the profession, he is critical of the 1986 Insolvency Act, the most recent and significant piece of legislation governing his work. Changes he would like to see include a new option for insolvent companies that would require, ironically, less intervention from practitioners like himself.

When the Insolvency Act was passed five years ago, adorned with more than a thousand amendments, it fundamentally changed the shape of the profession. Perhaps most importantly, it created a new option for companies unable to pay their debts.

Since 1986, at the request of a company's directors, the courts have been able to appoint insolvency practitioners as "administrators". If it does, the management is granted a stay from the creditors for about three months while administrators analyse the company and put forward proposals to restructure and save it.

The creditors are then able to vote for a "company voluntary agreement" to allow the administrators time to fully develop their proposals. Creditors and shareholders can vote to accept the restructured company. If they approve, it will be able to continue to trade.

Many people, understandably, confuse administration with administrative receivership, under which insolvency practitioners take control of the company at the request of the creditors and repay them as fully as possible by selling off its assets. Individual businesses might survive, but the parent company is destroyed.

Administration has had limited success. A handful of public companies have certainly been salvaged as a result of the procedure. Few reliable statistics exist, but a recent estimate by Cork Gully suggested that just 2 per cent of insolvencies go into administration.

The main reason the route is not more widely chosen is because of the cost. Administrators have to be brought in as soon as the court has approved the process. They are likely to remain months later as supervisors to the business long after creditors have approved any restructuring plan. As a result, it is only in the larger companies that administration is likely to succeed.

Issues of perception may also be significant. A recent Cork Gully discussion paper calling for a "rescue culture" in Britain suggested that some judges look for reasons to refuse rather than accept administration orders in the courts.

Mr Bill Ratford, a partner with KPMG Peat Marwick, was never an enthusiast for administration as defined under the act. "It was not a procedure we would have chosen," he says. "It is bureaucratic, tied up with the courts, and expensive. It was a plus to have something, but it was a disappointment."

However, no-one wants to adopt the nearest US equivalent, Chapter 11, which keeps management of the company in the hands of the existing directors while protecting them from their creditors. That is judged too long-winded and costly.

"In Chapter 11, each class of creditors has its own insolvency practitioners," says Mr Hill. "They argue with each other while the pot of money for the creditors shrinks."

What a number of insolvency practitioners have lobbied for is a simpler procedure for small and medium-sized companies which would give them a short period of a few weeks protected from their creditors, but without the need to call in administrators.

That would allow the directors to devise a plan to turn the company around. They might seek professional help, but would not be obliged to hand over running the company to outside consultants.

With a plan adopted, the practitioners would be involved, but in a far more modest, back seat role than under administration, simply monitoring the implementation of any restructuring.

One issue which was not addressed by the 1986 Act was the use of money collected by the practitioners during insolvencies. Anything raised from the sale of assets must be held in a special government bank account called the Insolvency Services Account. This pays a limited, taxable rate of interest for the creditors, while the government invests the money and uses the difference to fund the Department of Trade and Industry's insolvency service.

Most in the industry consider it an unfair requirement. "It's almost robbery without violence," says Mr Ratford. Adds Mr Hill: "That money really belongs in the creditors' pockets. I think the insolvency service should be funded by the general taxpayer."

Among controversial clauses in the 1986 Act is one which provides for disqualification and personal liability for company directors judged to have acted negligently.

Many are questioning how effective the legislation has proved. According to DTI figures, 1,238 directors have been disqualified since the Act was introduced, most for five years or less. That represents a minute fraction of the total number of insolvencies during the period.

"You do see a lot of cases where you look at the mess on your desk from a company and ask yourself whether this director is fit to run a business," says Mr Hill. "I would like to see far more disqualifications."

There is one aspect of the Act which most existing practitioners welcome, however. Whereas there were virtually no entry requirements into the profession before 1986, since that date strict methods of entry apply. Practitioners must now take an exam to receive their licence before they can operate.

"Speaking as one of the monopoly-holders," says Mr Hill, "I do think that was a good idea."

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MANAGING FOR RECOVERY 3

Peter Wilson on corporate restructuring

Laying the ghosts of defunct strategies

ECONOMIC growth in the late 1980s brought with it an explosion in the opportunities facing cash-rich businesses. By diversifying, they could exploit apparent synergies in the drive for cost leadership.

It was widely believed that potential gains far outweighed the risks of straying into uncharted waters. Many companies made money. Then came the recession and performance flagged.

It is instructive to reflect on why this happened.

Corporate planners came to the view that, with margins eroded by competition in existing markets, profits lay in new products and new markets.

After a period of sustained growth, management felt almost superhuman. Emergent technologies favoured large-scale production, and significant cost advantages awaited entrants into growth industries such as consumer electronics, motor cars and household appliances. This trend was helped by government incentives for companies to restructure into larger units of production.

Boards of directors grew smug, and based strategies on mistaken views. It was common to hear them describe their companies' strengths in terms of "production capability" and "organisational competence". It was easy to move into unrelated markets with such beliefs. After all, products needed manufacturing and organising to get them to market.

When the bubble burst at the end of the 1980s, many companies were left with a legacy of unrelated activities – separate businesses, for example, or product/market groups. In some cases these are dragging the parent company towards oblivion.

Instead of looking inwards, these companies should now be defining their business interests in terms of what they do for their customers. Knowledge of customers' needs should determine strategy and the kinds of businesses that could deliver the strategy. It is too costly to think otherwise.

In recent months companies have shaken out unprofitable activities, and are regrouping around a smaller number of strategic core businesses. The focus is increasingly on similar or related market segments, where changes in buying behaviour can be more easily monitored and customer needs satisfied profitably.

Examples of recent restructurings include:

■ British Aerospace has announced the sale of an aircraft components subsidiary which does not fit core defence and civil aerospace businesses. It is still unclear where this leaves Rover cars and other unrelated property interests, also regarded as core activities.

■ BET has been cutting head office costs and has sold non-core businesses to reduce gearing from 122 per cent to 38 per cent. Financial restructuring from short-term to long-term debt has been implemented to generate cash.

■ Thorn EMI has sold Ferguson, Inmos and its software activities to concentrate on its core music and rentals businesses. At the same time, the company has expanded in the music area and will continue to make music-related acquisitions.

■ Morgan Crucible has disposed of non-core activities. Cost-cutting through mergers, and expansion of the ceramics and carbon businesses through acquisitions in the USA, have formed the basis of restructuring.

■ Brent Walker's recent proposals to expand core pub ownership to 3,500 outlets and develop William Hill betting shops have been boosted by disposals of unrelated activities and financial restructuring to convert debt to equity.

Countless companies have been scrutinising their activities for clues to declining profitability

Countless other companies have been scrutinising their activities to identify underlying causes of declining profitability and tattered balance sheets. Boots, for instance, has been hampered by poor performance from Ward White. Can a retail chemist and pharmaceutical company succeed in other areas of retailing?

Olivetti is another example. The group's declining fortunes could be reversed by cost cutting, new product development, alliances with key players and sourcing in low-cost producing countries. But more radical restructuring by Mr Carlo De Benedetti, Olivetti's chief executive officer, might eventually be necessary. Cutting corporate life-support to ailing subsidiaries is a hard decision to make, but core business activities could depend on it.

For the privately-owned company, restructuring has had a different emphasis, albeit following the same process. Instead of regrouping several businesses around core activities, the less complex, smaller business seeking to restructure has concentrated its efforts on a review of marketing strategy. Reorganisation has still been an important source of profits, but the smaller company could not expect to achieve significant gains by cutting costs alone.

A careful examination of the beliefs and assumptions that have underpinned strategy has often been the starting point. Dependence on successful, single products and the benefits of paternalistic management by the founders and controlling shareholders are two common examples. These perceived strengths have turned out to be weaknesses in a rapidly changing market.

Normally, restructuring has required changes in top management. This has been difficult to achieve in smaller companies where the managers are also the owners. Nor has there been effective pressure from external shareholders to close down unprofitable parts of the business. Many owners have strong emotional ties with these activities, typically because they started with them.

They must overcome these emotions however and start the restructuring process. There are five distinct steps:

■ Auditing the business base by identifying sources of profits and key strengths and weaknesses in strategic business units, and reviewing the opportunity structure in each.

■ Identifying product and market options and evaluating each in terms of prospects, profitability, cash generation and organisational change.

■ Making choices in the areas of products, markets, operations, organisation and finance.

■ Deciding on appropriate vehicles to achieve objectives, such as organic growth or contraction, acquisitions, mergers or disposals, strategic alliances, corporate venturing or greenfield business development.

■ Implementing the strategy by cutting overheads and raising gross margins to lower the breakeven, with financial restructuring to reduce gearing and generate cash. These actions should be spelled out explicitly in a corporate restructuring plan, covering marketing, operations and finance for each business, with full consideration of compatibility between different business units.

It is generally easier to do more for existing customers than for new ones. In following this simple rule, restructuring has tended to reduce the spread of core activities as well as encourage disposal of non-core businesses. The underlying rationale has been the need to realign business strategies with the capabilities of the people who direct, manage and staff these activities.

When times are tough, being in the wrong business is an extravagance that no shareholder will tolerate for long. So focusing on core activities is not merely the latest fashion. Rather, as a model for business development, it is a return to some of the fundamental principles and practices that have been neglected far too long.

The insolvency barons are doing just fine, writes Andrew Jack, but ...

Don't go calling them coffin chasers

IF THERE is one sure way to antagonise an insolvency practitioner, it is to joke about how well business is doing while the rest of the country is suffering in the recession. The image they are desperate to avoid is that of professional vultures swooping over corporate carcasses.

Many go to some lengths to stress the positive side of their work, euphemistically calling themselves "corporate recovery" or "restructuring" specialists.

But the fact remains that while a vast number of British businesses are struggling as a result of the economic downturn, work in insolvency has never been better.

"It's sadly very busy," says Chris Hughes, managing partner of Cork Gully, the insolvency arm of Coopers & Lybrand Deloitte, and unquestionably the largest practitioner in the business, with fee income cited as £64m for the last financial year.

Coopers & Lybrand Deloitte has increased staff to 900 from about 700 a year ago

The firm has increased its staff to 900, compared with about 700 at this time last year and 650 two years ago. "There has been a significant increase in numbers and a higher utilisation of staff," says Mr Hughes.

Mr Mark Homan, head of corporate reconstruction at Price Waterhouse, paints a similar picture. "Our turnover has doubled in the last two years," he says. "We have added staff and the existing ones are working an awful lot of extra hours. The insolvency profession is in for a busy couple of years."

The corporate reconstruction division claimed fee income of £27.6m in the year to March 31, 1991, or 7 per cent of all revenues at Price Waterhouse, compared with 4.5 per cent a year earlier.

The pattern recurs at every level of the profession. "Firms are now just sitting back and waiting for the work to come in," says Mr Philip Monjack, senior partner with Leonard Curtis, a small accountancy firm based in London which does nothing but insolvencies.

He says staffing has risen from 40 to 60 over the last two years. The firm has opened branch offices in Manchester and Brighton. It hopes to open a further one in the Midlands or the West of England by the end of 1993.

There are signs that the recent breathless rise in business is now beginning to slow. "I don't think we're as ludicrously busy as we were in 1989-90," says Mr Homan. Business has, however, settled "at a fairly high level".

There will be no decline in the overall volume of insolvency business for some time to come. Insolvency practitioners have the benefit of being able to judge things in terms of previous recessionary cycles. Based on experience, many talk about an 18-month lag after the recession ends before the number of receiverships begins to decline. While companies struggle to recover as the economy picks up, a large number are unable to find working capital to finance their growth, and run into difficulties.

One thing that has changed since the last recession is the state of the insolvency profession itself. The 1986 Insolvency Act introduced the concept of administration, a new option for insolvent companies which offers them the prospect of survival if the creditors vote in favour of a restructuring plan proposed by administrators (who must be insolvency practitioners).

The Act added to firms' costs, too, points out Chris Hughes, by introducing a series of new requirements including reports to creditors, and to the DTI on directors, which were not previously mandated.

'The quality has improved ... There were a few cowboys in the past'

It also tightened up on the qualifications required by people wanting to practice. It introduced licensing for practitioners and paved the way for professional examinations, which were finally introduced last year.

As a result, Mr Ian Bond, president of the Society of Practitioners of Insolvency and a partner with Cork Gully, argues: "The quality has improved quite a lot since the 1970s. There were a few cowboys in the past. The average practitioner is more competent now."

At the same time, the mergers among the larger accountancy firms have created several giant companies incorporating insolvency practices, which have taken over substantial market share from some of the smaller firms. Mr Homan believes this process is not yet complete, although he says there will always be a role for small firms as well.

The balance of business continues to vary between different firms, with some taking on a large element of "investigations" or exploratory work to balance their "executory" insolvency practice. Investigations are often commissioned by a bank to assess whether to extend loans to a business, and may well never lead to insolvency. Its contribution to fees generally rises in more healthy economic periods and helps counterbalance the decline in insolvency.

Evaluating the work of the insolvency firms is far from easy. To criticise them for presiding over corporate dismemberment is hardly fair, since they are generally called to conduct a series of activities ordained by law.

"We don't create the problem," says Chris Hughes. "We try to bring some order and decisiveness to a process fraught with disorder. We are not so much trading on misfortune as trying to sort it out and minimise it."

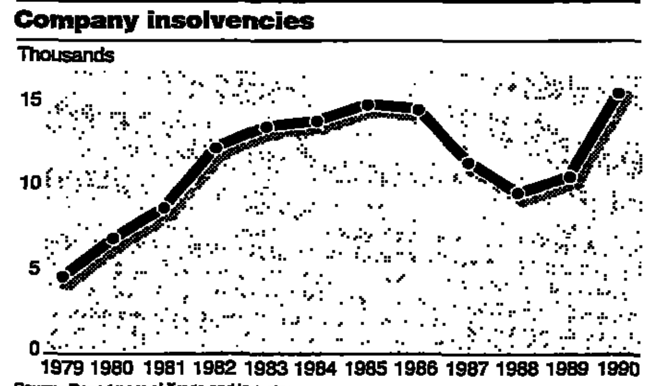
The paucity of statistics makes it difficult to assess how effectively they generate the best prices for assets sold, or how much more they might be able to do to maintain ailing businesses.

However, one area which does make them an object of criticism is their fees. Mr Hughes argues that they are under constant competitive pressure. Others argue that the banks would not use the same firms time and again if the fees were excessive – particularly since higher professional fees mean less residual money for the creditors. They also point out that as a proportion of realised assets, the fees are very small.

Mark Homan, choosing his words carefully, says: "Fee levels have returned to more sensible levels than during the mid to late 1980s when there was significant price cutting."

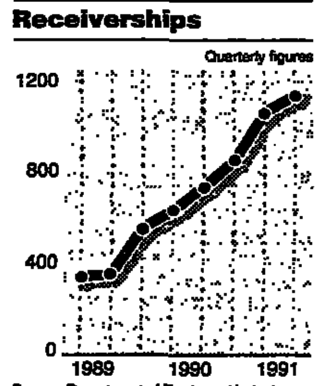
He is hurt by recent speculations on his salary. "It's a nonsense," he says. "I am taking home this year less than I did last year. We are taking very substantial fees but I share them with the partners in parts of the business that are suffering. It helps to offset the downturn which is happening elsewhere."

Company insolvencies



Source: Department of Trade and Industry

Receiverships



Source: Department of Trade and Industry

It has been a mixed year for equity finance, writes Philip Coggan

The drawbridge of the stock market has been raised

IT HAS been a mixed year for British companies wishing to raise equity finance.

Those within the inner sanctum of the stock market have found it relatively easy to raise funds: almost £10bn in rights issues had been launched by the end of November, close to the record levels of 1987.

But those who had not already joined the exchange have found that the drawbridge has been raised. The new issue market has slowed almost to a halt.

According to accountants Peat Marwick, there were only 68 stock market flotations in the first nine months of the year, the lowest level for seven years, and less than half the figure for 1988.

Why the disparity? One reason is the downturn in the UK economy. To launch a successful new issue, companies need to produce a record of steadily growing profits. Most will have found that difficult to achieve in the face of high interest rates in 1989-90 and then a decline in GDP in 1991.

The number of new issues would be even more depressed were it not for investment trust offers. In 1990, if one excludes the privatised electricity companies, only 23 of the companies which joined the main market were actually industrial or commercial groups.

Profits may recover in 1992 but given the three-year trading record needed for companies to join the main market, it may be 1993 or 1994 before new issues return in substantial numbers.

The Unlisted Securities Market (which requires a two year trading record) seems to be dying a slow death by asphyxiation, as most companies have decided to wait one extra year for a main market listing.

The flurry of rights issues has fallen into two categories: The first includes companies that are in "distress" conditions, where institutions agree to support rights issues in order to protect the value of their existing investments.

The second category consists of those companies which have been able to escape some of the effects of the recession, either because of overseas earnings or because they are in a sector where spending has been relatively stable, for example, food retailing.

According to Bob Semple, head of UK research at County NatWest, it is this second sector which has dominated in 1991, with companies which have "good stories to tell" finding it easy to get issues away.

Share prices in general have been buoyant this year as the Gulf crisis has faded from memory and investors have been able to look ahead to the recovery of the UK economy in 1992-93. The FT-SE 100 Index has reached record highs (in nominal terms at least), and institutions have had reasonably healthy cash flows.

Many UK corporate balance sheets are still weak following the 'borrowing binge' of the late 1980s

making it a lot easier for strong companies to raise funds.

Distress issues have been limited in 1991 but Mr Semple anticipates that such issues may dominate in 1992 with a further £10bn of rights offerings that year. Many UK corporate balance sheets are still weak following the "borrowing binge" of the late 1980s. However, distress issues are much more difficult to sell to investors and the second half of 1991 saw a number of flops, including issues from British Aerospace and Hillsdown Holdings.

The year ahead may see an interesting clash between the needs of companies and the appetite of investors for rights paper, especially now that a government gilt programme will be competing for institutional cash.

Companies that want to raise new funds will need to ensure that they prepare a convincing case for their institutional investors, if they want to get their issues underwritten. Vague plans for expansion or reorganisation will not be good enough.

Times have also been harder for unquoted companies trying to raise new equity finance. The venture capital industry has been hit by a combination of over-optimistic investment in the mid-1980s and the effect of high interest rates and the recession on unquoted companies.

The effect of the recession on many unquoted companies has been particularly marked. Management resources are more limited at such companies, which tend to lack the overseas exposure which has helped the blue chips through the UK economic downturn.

Investment trusts specialising in the unquoted sector have been forced to slash their asset values. Bad experiences with trusts such as Gresham House and Ensign have made investors suspicious of the valuations placed by trust managers on assets, with the result that most trusts in the sector trade at substantial discounts. It is hoped that a move, led by the British Venture Capital Association, towards conservative industry-wide valuation assumptions will restore confidence.

Meanwhile, several large venture capital providers have withdrawn or reined in their activities. The fond hopes of 30 to 35 per cent annual returns, trumpeted in the 1980s, have been dashed.

Those venture capitalists which have remained in the business have tended to concentrate on the later stages of company development. A recent example is the £60m Causeway fund launch which provides development capital for smaller quoted companies.

Nor has the sorry state of the new issue market helped venture capitalists, with many being forced to realise their investments via a trade sale (which can lack flexibility for those who want to sell only part of their holdings).

Others have simply accepted that they have to hang on for better times.

Small companies have been able to turn to other sources of finance, such as factoring, however. The recession has understandably made customers slow to pay, and the debt collection service provided by a factor can be of enormous help to a company's cash flow.

Non-recourse factoring – where the company is guaranteed payment – can even be obtained, in return for a higher fee. During the end of the recession, and in the early stages of recovery, most companies may be forced to look harder at alternative finance sources such as factoring and leasing.

The number that can use the equity market for fund-raising will be severely limited.

COMMODITIES AND AGRICULTURE

Canadian gas suppliers dispute US price ruling

By Bernard Simon in Toronto

A MOVE BY California regulators to bring down the *price of natural gas to consumers* has provoked an angry dispute with Canadian gas producers.

The Alberta provincial government said this week that it will take retaliatory action against an order by the California Public Utilities Commission (CPUC) which would open access to the southbound pipeline for gas sold at market prices, at the expense of *higher-priced shipments* under long-term contracts.

At the same time, Canada's energy minister Mr Jake Epp has threatened to invoke the *dispute settlement mechanism* of the US-Canada free trade agreement to stop what Ottawa regards as discrimination against Canadian suppliers.

Western Canadian producers export about 1bn cubic feet of gas a day to California, equivalent to *40* per cent of their output.

The bulk of the gas is shipped under contracts between a consortium of 190 producers and a subsidiary of Pacific Gas & Electric, the state's biggest power utility.

The unremitting North American gas "bubble" has *already forced the producers to* lower contract prices. Competition from spot-market supplies would almost certainly put further pressure on their returns.

The CPUC last *month* ordered that the pipeline from Alberta should be opened to brokered supplies, as is the case with shipments from US *producers.*

Ms Patricia Eckert, CPUC's president, said that she wanted to encourage Canada to adopt a "stand-back-and-let-the-market-work" approach.

"No longer will the CPUC regulatory involvement be perceived as impeding direct negotiation with the producer of choice," *Ms Eckert said. The* CPUC's order is due to take effect next October.

The producers view the CPUC's actions as tantamount *to a unilateral abrogation of* their contracts, which are due to run to 1994. They also contend that greater price uncertainty would discourage future *investment in the natural gas* industry. Discussions are under way on two sizeable projects to expand pipeline capacity from Alberta to California, *one of which involves doubling* the existing pipeline.

Retaliatory measures planned by Alberta include witholding export permits for *interruptable short-term supplies* of gas which could be used to replace gas normally shipped by the supply pool under the long-term contracts.

Copper traders uneasy in wake of LME intervention

By Kenneth Gooding, Mining Correspondent

A FURIOUS debate about the technical squeeze in the London Metal Exchange's copper market flared up yesterday following the LME's unprecedented decision on Tuesday to *limit the backwardation (premium* for metal for immediate delivery compared with copper for delivery in three months).

Some consumers, who believe *the squeeze* has kept copper prices at artificially high levels, asked why the LME had not acted earlier.

Mr David King, the exchange's chief executive, said he still favoured non-intervention, but this week *there was the prospect of* excessive and unwarranted volatility in the copper price and an unnecessarily high backwardation. He expected the £25 a tonne a day limit on the backwardation to remain in place at least for the rest of December.

Traders suggested LME operated in a way that created conditions for squeezes, citing in particular the fact that the options delivery day coincided with the futures delivery day on the third Wednesday of each month.

One said he had become *increasingly uneasy* about the way the market had developed in the past year. "I am fearful for the market and I am fearful for the LME because of what has happened and is happening," he told Reuter.

Traders suggested that Sumitomo *Corporation of Japan,* which controls much of the copper stocks in LME warehouses, first attempted to squeeze the market in May but was unsuccessful. "Since then he [Mr Yasuo Hamanaka, the senior Sumitomo manager who heads its copper trading business] has been rolling it, building a bigger position and not enough copper has been delivered to the market to dissuade him," said one.

Analysts and traders said they found it hard to accept comments by Mr Hamanaka that his group had not tried to *manipulate the copper price* and acted only on clients' orders. "It is disingenuous. The argument that you need physical metal in European warehouses to satisfy just-in-time orders in Asia is difficult to swallow," said Mr Phillip Crowson, senior *economic* adviser at RTZ.

Mr Robin Bhar, analyst at Carr Kitcat & Aitken, said it was in nobody's interest for *Sumitomo to release quickly* all its LME stocks as this would send the price spiralling down. It was likely that the metal would be released gradually and the price over the next few weeks would drift down to about £1,228 to £1,230 a tonne.

After the December option declarations passed calmly yesterday, cash copper closed at £1,306 a tonne, down £13, and three-month metal was up £3.75 at £1,282. *The backwardation,* which was £50.50 on Monday and £40.50 on Tuesday, was down to £23.75 last night.

Report predicts low aluminium prices for next two years

By Kenneth Gooding

LOW ALUMINIUM prices are likely to persist for the next two years, causing new smelter projects to be postponed or cancelled and leading to a *shortage of supply in 1995,* according to the Economist Intelligence Unit.

The EIU expects primary aluminium prices to average *less than $1,400 a tonne this* year and in 1992, but to recover to $1,575 in 1993, $1,675 in 1994 and $1,850 in 1995. This compares with an average realised price over the past 20 years of $1,782 a tonne in 1991 dollars.

In a special report*, the unit points out that the average operating cost of primary *smelters outside the former* Communist bloc in the first quarter of 1991 is estimated at $1,384 a tonne.

When capital charges and a 15 *per cent return on equity* are included, the cost is $1,708 a tonne.

"With mid-1991 metal prices around $1,300, the average *smelter is not covering operating costs*", says the report. "Although costs are expected to decline slightly in the short term, the next two years will *be difficult for primary smelters* and profitability will be low. High-cost operations will be under pressure to close."

The report suggests that new *low-cost smelter capacity* requires average prices of $1,700 to $1,850 a tonne in 1991 dollars.

"Smelter projects will therefore be postponed or cancelled until investors see prices moving towards these levels. This could lead to a shortage of supply after 1995," it adds.

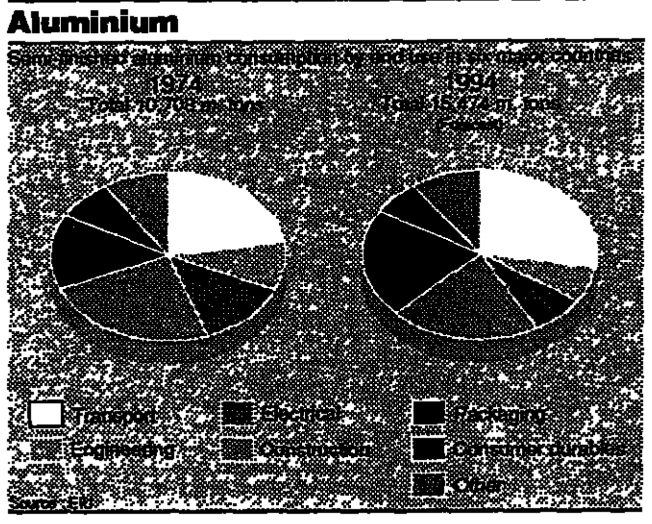
Given a *forecast* that growth in real gross domestic product in the OECD countries will average 2.5 per cent a year to 1995, demand for semi-finished *aluminium products* is expected to increase by an annual 2.4 per cent outside the former Communist world. In the centrally-planned economies, however, *demand will stagnate as* strong growth in China is offset by falls in the former Soviet Union and eastern Europe.

The fastest-growing end-use market for aluminium in the years to 1995 will continue to be the packaging sector, according to the EIU. This will include growth in the European aluminium can market, as well as consolidation of the can's position in the US.

Strong growth will also be seen in the transport sector. "This will mainly take the form of demand for aluminium castings. Demand for sheet products for automotive frames and bodies will grow more *slowly*," says the report.

**Aluminium to 1995: the Path to Profitability", £175 or $365 from the EIU, 40 Duke Street, London W1A 1DW*

Aluminium



NZ loses its kiwi fruit crown to Italy

By Robert Graham in Rome

ITALY HAS overtaken New Zealand to become the world's largest producer of the kiwi fruit.

Production in Italy this year *is expected to be 230,000* tonnes, against 200,000 tonnes in New Zealand, according to the Italian kiwi producers' association, CIK.

Italian growers now have some 19,000 hectares under kiwi cultivation, generating an annual turnover of L700bn (£324m).

The main production areas are in Piedmont, Emilia Romagna, Latina and Puglia.

The area under cultivation is unlikely to increase much more, to avoid saturating the international market.

However, the CIK plans to promote sales of the fruit in the domestic market, where the harvest is from October to February.

New Zealand, which exports 80 per cent of its production to Europe, begins selling at the start of the year.

Producers in New Zealand claim that although Italy has overtaken them in volume, they maintain the edge in quality.

US 'will keep sugar quotas after Uruguay Round deal'

By Canute James in Miami

THE US will not immediately dismantle sugar import quotas even if an agreement is reached in the current Uruguay Round negotiations.

Mr Craig Thorn, deputy director for multilateral trade policy affairs in the US Department of Agriculture, told a conference in Miami that the quotas, for 1.25m tonnes this year, were a safeguard for the US industry.

Mr Thorn said the quotas would be maintained for a five year transitional period after a Uruguay Round agreement on cutting subsidies to producers and removing barriers to imports. After this, the import quotas would be removed.

"As a result of the Uruguay Round we would expect an increase in import demand and significant cuts in subsidies, especially in the European Community," Mr Thorn said. "Production and consumption will be more in line and we expect international prices to be more stable. We expect a slight decline in US production but US prices should stay at the same level."

Green field site in Essex

David Blackwell on Rhône-Poulenc's organic trials

THE FIRST organic wheat is peeping through the soil at Boarded Barns Farm in Essex, and farm manager Lister Noble is delighted.

"I've waited three years for *this*", he says *enthusiastically.* Not that Mr Noble is staking his future on organic farming: he is employed by Rhône-Poulenc, Europe's biggest agrochemical manufacturer.

Why is such a company converting a farm to organic production, which if successful could adversely affect the market for its own products? "We were being asked questions on organic farming, and we did *not know the answers*", explains Mr Bob Joice, the company's product stewardship manager.

Rhône-Poulenc decided to convert part of the 57-hectare Boarded Barns farm to organic production while continuing to farm the rest with conventional methods. The results will be compared over 10 years.

"Very little credible scientific research has been done into organic farming and its commercial viability", says Mr Noble. "Rhône-Poulenc is research based. We wanted to get a hands-on feel for organic farming."

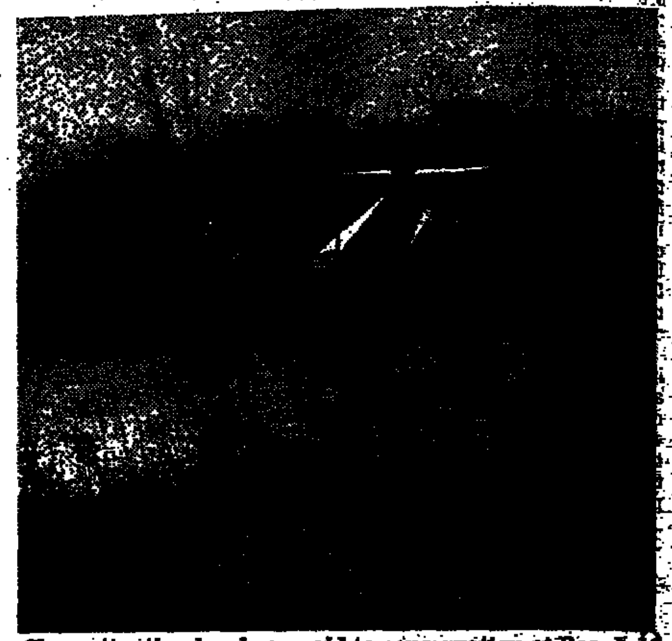
The lack of proper research into organic farming and the confusion surrounding the subject was highlighted last week, when the Prince of Wales distanced himself from a Royal Agricultural Society of England report describing organic farming as uneconomic, unsustainable and unrealistic.

The report defended modern farming's use of pesticides and other chemicals, saying allegations *about farm pollution* were exaggerated. The Prince said that environmentalists and consumers had not been properly consulted.

The Boarded Barns project has excited much interest from farmers, conservationists and even other chemical companies. This is welcomed by Rhône-Poulenc, which has anticipated a cynical reaction by getting the project monitored by outside bodies, including the agriculture ministry and *wildlife organisations. The* farm is registered with the UK Register of Organic Food Standards, and Mr Noble is a member of Organic Farmers and Growers.

Mr Noble has managed the farm, tucked behind Rhône-Poulenc Agriculture's headquarters near Ongar, for 14 years. *The soil is similar to* that across much of south-east England's grain-growing country, and he has followed a normal rotation policy of milling wheat, beans and rape.

Herbicides, pesticides and fungicides are used on the conventional side of the farm, but the crops are walked on a regular basis and nothing is applied unless deemed necessary.



Close attention has been paid to conservation at Boarded Barns, typified by this moth trap near the farm's pond

At the same time, great attention has been paid to conservation. Trees have been planted to replace those growing old and diseased, and *hedges are carefully trimmed,* with promising self-seeded trees marked and left to grow. A one metre-wide strip of land is left untreated by any chemi*cal either side of the hedges to* encourage small mammals. Barn owls have been released on to the farm and nesting boxes have been put up.

Markers abound where insect and small mammal traps have been set up by research groups, including teams from Southampton and Reading uni*versities. Ponds have* been cleared and dug out; the main reservoir is fed by an underground spring and is stocked with trout.

Mr Noble is enthusiastic about the environmental projects. "They give me great pleasure, they give pleasure to other people and they are very *beneficial to wildlife*", he says. He jumped at the chance of trying organic farming.

The costs are consider*able. The land is put to* grass for two years to clear all traces of chemicals. In the first year, including the cost of fencing (to be written *down over 10 years), costs are* more than £280 a hectare, while income from grazing cattle is roughly £100.

When the first organic wheat crop is harvested next year, Mr Lister expects a yield of around 4 tonnes a hectare. Organic wheat is expected to fetch a premium, but he points out there is no guarantee. Last year, organic milling wheat was around £260 a tonne, but the price has fallen this year to £205 a tonne.

While this is still well above the £130 a tonne for conventionally grown milling wheat which yields 8 to 9 tonnes a hectare, Mr Noble is not convinced that the price will not fall further next year.

On a conventional rotation, the farm would aim to produce a crop of milling wheat every three years, with break crops of rape or beans for cattle feed. *On the organic rotation, a har*vest of milling quality wheat would come round only once every five or six years.

The change in techniques *required in switching to* organic is considerable. On the conventional side of the farm, rogue bean plants coming up with the winter wheat are eas*ily got rid of with a spray that* kills off broad leaved plants. On the organic farm, the beans have to be raked out with a new machine similar to a giant *electric lawn rake. This is* expected to damage the young wheat, so the organic field is seeded at 250kg a hectare, compared with 190kg a hectare on *the conventional fields.*

The farm will also be investing in a sprayer for seaweed extract, which will be applied later this month to strengthen *the crop.* "I'll believe the results when I see it", says Mr Noble. "But other organic growers have said it can be beneficial."

He is taking advice all the time, because he is starting from scratch. He is committed to running the organic side of the farm as well as the other half – otherwise he believes the whole experiment would be invalid.

"Agriculture has never stood still. This could alter the direction of our research – for example, with moves into integrated pest management. We will also have all this information which no-one else will have, and that has to be to our advantage."

WORLD COMMODITIES PRICES

MARKET REPORT

Gold edged ahead on the London bullion market, mainly on option-related and Middle Eastern buying. News that Vneshekonombank, the Soviet foreign trade bank, is to suspend Soviet debt principal payments today left the market initially confused and then largely indifferent. Dealers said the news was on balance probably more bullish, with the Soviets likely to seek finance through swaps rather than outright gold sales. London cocoa moved sharply ahead; dealers said there appeared to be some trade buying although there was little fundamental news. Robusta coffee eased in London as the market kept a close watch for news from the ICO talks. By midday New York arabicas were down on talk that any coffee retention plans by Brazil would have to be approved by Brazil's exporters, who favour a free market. On the LME zinc prices were easier, with the market under pressure from liquidation after the Overpelt smelter closure, rumoured for a week. Although likely to reduce any surplus, the closure will not bring the market into balance unless there is a pick up in demand, dealers said. Nickel closed off fresh 22-month lows, but with fundamentals remaining bearish, prices are vulnerable to a test of the $7,000 level.

Compiled from Reuters

London Markets

SPOT MARKETS

		+ or -
Crude oil (per barrel FOB)		
Dubai	$16.30-6.35	-.025
Brent Blend (dated)	$19.10-9.25	-.075
Brent Blend (Jan)	$19.35-19.40	-0.05
W.T.I. (1 pm est)	$20.65-0.70	-0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$216-218	-6
Gas Oil	$183-184	-½
Heavy Fuel Oil	$74-76	-1½
Naphtha	$189-190	-1½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$364.90	+1.15
Silver (per troy oz)♣	403.00	-1.00
Platinum (per troy oz)	$367.00	+3.50
Palladium (per troy oz)	$83.75	+0.60
Copper (US Producer)	109.0c	
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.65r	-0.01
Tin (New York)	$254.0	+1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	105.56p	+1.35*
Sheep (dead weight)†	157.22p	+18.5*
Pigs (live weight)†	84.76p	-4.18*
London daily sugar (raw)	$234.0x	+4.5
London daily sugar (white)	$260.0x	+0.80
Tate and Lyle export price	£240.0	+2.5
Barley (English feed)	£121.5	
Maize (US No. 3 yellow)	£146.0	
Wheat (US Dark Northern)	£101	
Rubber (Jan)♥	51.00p	
Rubber (Feb)♥	51.25p	
Rubber (KL RSS No 1 Jan)	220m	
Coconut oil (Philippines)§	$595z	
Palm Oil (Malaysian)§	$357.5	+5.0
Copra (Philippines)§	$385	+5
Soyabeans (US)	£147.0	-3.5
Cotton "A" Index	62.00c	+0.30
Wooltops (64s Super)	415p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jan t-Sep/Dec u-Jan/Mar x-Nov/Dec y-Jan/Feb z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	198.40	199.40	201.00	197.60
May	197.00	198.20	198.20	197.00
Aug	199.40	200.00	199.00	197.00
Oct	199.00	199.60	198.60	
White	**Close**	**Previous**	**High/Low**	
Mar	280.2	279.7	280.5	278.7
May	281.0	280.7	281.0	279.3
Aug	284.9	284.7	284.9	283.3
Oct	265.0	265.0	265.0	264.5

Turnover: Raw 627 (716) lots of 50 tonnes. White 2586 (1915)
Paris- White (FFr per tonne): Mar 1570.79, May 1567.51

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Jan	19.43	19.22	19.48	19.12
Feb	19.38	19.22	19.44	19.09
Mar	19.24	19.13	19.30	19.02
Apr	19.10	18.95	19.13	18.94
May	18.99	18.90	18.99	18.93
Jun	18.98	18.83	18.98	18.85
Jul	18.80		18.80	
IPE Index	19.64	20.00		

Turnover 25861 (33940)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low	
Dec	184.50	185.25	186.00	182.50
Jan	186.25	188.00	188.25	184.50
Feb	185.00	186.25	186.75	183.50
Mar	180.50	182.00	182.00	179.25
Apr	175.25	176.50	176.75	174.25
May	173.50	174.25	174.00	172.75
Jun	173.75	174.00	174.75	173.00
Jul	174.75	175.75	174.75	174.00
Aug	177.25	177.00	176.50	175.50

Turnover 18876 (22048) lots of 100 tonnes

WOOL

Prices are holding very firm at wool auctions in the closing weeks of a dramatic year in the long history of marketing wool. The recovery from low points reached in October for most Australian wools has been fully maintained, with the Wool Corporation's market indicator still edging gradually upwards and, at 579 cents, at the highest point of this selling season. Forecasts of wool production meanwhile are all indicating declines. Australia is the major world source and offerings in the next six months will be down by as much as 30pc.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	735	720	731	723
Mar	780	762	781	765
May	802	785	803	790
Jul	827	809	827	814
Sep	850	833	850	837
Dec	879	862	878	864
Mar	908	889	906	891
May	922	905	907	
Sep	955	936	954	940

Turnover: 6002 (4055) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec.3 946.49 (943.62) 10 day average for Dec.4 949.45 (951.75)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Jan	1078	1090	1095	1070
Mar	1030	1035	1036	1020
May	1002	1010	1005	998
Jul	1004	1009	1005	1000
Sep	1010	1020	1010	1006
Nov	1025	1030	1025	

Turnover:1462 (1399) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec.3 : Comp. daily 66.75 (66.45) 15 day average 65.22 (65.02)
Sterling close: January £614 , March £ 592

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Mar	121.0	117.0		
Apr	118.9	119.0	119.0	118.0
May	140.0	140.0	139.0	137.5

Turnover 99 (220) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	121.70		121.70

Turnover 50 (371) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Dec	16.00	16.23	16.25	16.00
Jan	16.50	16.60	16.65	16.50
Apr	16.55	16.60	16.65	16.50
BFI	15.74	15.75		

Turnover 116 (416)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Jan	124.80	124.90	125.00	124.80
Mar	128.30	128.40	128.50	128.10
May	131.30	131.40	131.55	131.00
Jun	132.90	133.00	133.15	
Barley	**Close**	**Previous**	**High/Low**	
Jan	119.40	119.35	119.50	119.30
Mar	122.60	122.75	122.85	122.60
May	124.45	124.50	124.45	

Turnover: Wheat 495 (242), Barley 98 (11). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	102.5	103.0	
Feb	103.0	105.0	
Mar	105.0	106.0	
Apr	107.0	105.0	
May	107.0	106.0	
Jun	107.0	108.0	

Turnover:0 (8) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	133.29	133.71			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 18,046 lots
Cash	1074-5	1085.5-6.5	1073/1073	1073-3.5		
3 months	1100-1	1112-3	1110/1098	1099.5-100	1099.5-99	134,069 lots
Copper, Grade A (£ per tonne)						Total daily turnover 35,867 lots
Cash	1305-7	1318-20	1315/1300	1313-4		
3 months	1282-2.5	1278-9	1284/1269	1276-7	1278-9	107,992 lots
Lead (£ per tonne)						Total daily turnover 2,003 lots
Cash	296-7	295-6	298/298	298-8.25		
3 months	304.5-5.5	304-5	307.5/304	306-7	305-6	14,986 lots
Nickel ($ per tonne)						Total daily turnover 4,432 lots
Cash	7065-70	7085-95	7030/7030	7025-35		
3 months	7095-100	7105-10	7095/7050	7060-5	7090-5	19,073 lots
Tin ($ per tonne)						Total daily turnover 717 lots
Cash	5475-80	5470-80	5475/5470	5477-80		
3 months	5525-30	5520-30	5530/5520	5525-30	5525-30	4,991 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 6,603 lots
Cash	1222-4	1225.5-7.5		1226.5-8.0		
3 months	1203-5	1209-10	1210/1199	1208.5-9.0	1202-3	39,804 lots

LME Closing £/$ rate:
SPOT: 1.7735 3 months: 1.7491 6 months: 1.7211 9 months: 1.6992

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	364.65-365.15	
Opening	363.40-363.80	
Morning fix	365.70	205.600
Afternoon fix	365.25	205.775
Day's high	366.40/366.70	
Day's low	363.10/363.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.61	6 months	4.18
2 months	4.47	12 months	4.11
3 months	4.35		

Silver fix	p/fine oz	US cts equiv
Spot	227.75	405.25
3 months	233.65	409.95
6 months	239.95	414.95
12 months	251.90	424.65

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	365.25-368.25	205.75-208.25
Maple leaf	377.00-378.00	212.25-212.75
New Sovereign	89.50-90.50	50.50-51.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jul	Mar	Jul
1000	110	146	7	13
1100	42	78	38	42
1200	11	35	104	85
Copper (Grade A)	**Calls**		**Puts**	
2150	116	121	26	60
2250	68	72	66	108
2350	24	40	131	171
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
550	65	55	1	13
600	25	29	11	35
650	6	12	42	70
Cocoa	**Mar**	**May**	**Mar**	**May**
750	55	79	25	27
775	41	64	36	37
800	32	51	52	49
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1950	23	55	42	80
2000	9	98	30	97
2050	2	21	2	134

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	365.1	363.5	366.5	364.8
Jan	366.4	364.9	0	0
Feb	367.9	366.4	369.6	367.5
Apr	370.4	368.8	371.5	370.1
Jun	372.8	3371.2	374.1	372.5
Aug	375.3	373.7	0	0
Oct	377.8	376.2	0	0
Dec	380.4	378.8	381.0	380.0
Feb	383.1	381.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	367.3	365.2	369.5	366.0
Apr	369.8	367.7	371.0	369.0
Jul	372.3	370.2	0	0
Oct	376.3	376.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	400.4	400.6	403.0	399.5
Jan	402.2	402.5	0	0
Feb	404.0	404.4	0	0
Mar	405.7	406.2	408.0	404.0
May	409.5	410.0	412.0	408.5
Jul	413.0	413.5	416.0	412.0
Sep	416.7	417.3	418.0	416.0
Dec	422.3	423.0	425.0	421.5
Jan	424.3	425.0	0	0
Mar	428.2	429.0	430.0	429.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	100.55	101.60	101.70	100.50
Jan	100.40	101.30	100.60	100.30
Feb	99.90	100.80	100.85	99.90
Mar	99.60	100.30	100.55	99.50
Apr	99.30	99.95	99.30	99.30
May	99.05	99.65	99.70	99.00
Jun	98.85	99.25	99.10	98.80
Jul	98.55	99.10	99.10	98.65
Aug	98.30	98.80	0	0
Sep	98.05	98.50	98.65	98.15

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.11	9.07	9.20	9.05
May	8.96	8.96	9.04	8.93
Jul	8.93	8.95	9.01	8.92
Oct	8.92	8.94	9.00	8.92
Mar	8.85	8.91	8.96	8.89
May	8.84	8.89	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	20.67	20.51	20.78	20.38
Feb	20.58	20.44	20.66	20.29
Mar	20.42	20.30	20.48	20.16
Apr	20.32	20.21	20.40	20.00
May	20.20	20.13	20.27	20.00
Jun	20.15	20.06	20.22	20.00
Jul	20.10	20.00	20.15	19.98
Aug	20.02	19.95	20.07	19.90
Sep	20.00	19.91	20.01	19.95

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	5990	5947	6010	5890
Feb	6020	5962	6035	5930
Mar	5855	5804	5875	5805
Apr	5650	5570	5660	5580
May	5430	5390	5490	5420
Jun	5365	5300	5395	5350
Aug	5410	5340	5415	5375
Sep	5545	5465	5545	5545
Oct	5585	5560	5590	5560

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1229	1205	1230	1215
Mar	1278	1255	1278	1258
May	1310	1290	1313	1295
Jul	1345	1325	1344	1329
Sep	1366	1348	1359	1355
Dec	1408	1388	0	0
Mar	1438	1419	1424	1419
May	1461	1441	0	0
Jul	1484	1464	0	0
Sep	1508	1489	1486	1483

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	78.80	80.75	80.80	78.50
Mar	82.55	85.20	85.75	82.50
May	85.30	87.70	88.35	85.25
Jul	88.10	90.50	90.50	88.00
Sep	90.75	92.75	93.25	90.75
Dec	94.75	96.10	95.00	94.75
Mar	97.40	98.75	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	57.47	58.25	57.97	57.45
Mar	59.46	59.86	59.62	59.06
May	60.47	60.80	60.80	60.10
Jul	61.35	61.65	61.40	60.90
Oct	63.25	63.46	63.00	62.90
Dec	63.79	63.90	63.79	63.50
Mar	64.83	65.10	0	0
May	65.77	65.85	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	185.00	185.10	185.90	184.75
Mar	185.90	185.60	186.75	185.60
May	185.90	185.75	186.50	185.50
Jul	185.10	186.30	186.25	185.30
Sep	183.50	184.00	0	0
Nov	153.50	153.10	0	0
Jan	152.25	151.95	152.50	152.50
Mar	152.25	151.95	0	0
May	152.25	151.95	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec.4	Dec.3	mnth ago	yr ago
1642.3	1641.5	1630.9	1715.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec.3	Dec.2	mnth ago	yr ago
Spot	115.26	115.86	112.86	122.90
Futures	122.31	122.45	121.13	124.42

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	562/6	555/4	564/6	564/6
Mar	568/6	561/0	570/4	561/0
May	574/6	567/2	576/4	568/0
Jul	581/6	574/4	583/4	575/0
Aug	583/4	576/4	585/0	578/0
Sep	582/4	576/0	584/4	579/0
Nov	585/2	579/2	588/0	579/4
Jan	595/2	589/0		

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.72	19.28	19.78	19.20
Jan	19.81	19.37	19.90	19.30
Mar	20.09	19.67	20.27	19.62
May	20.35	19.93	20.60	19.93
Jul	20.60	20.18	20.82	20.25
Aug	20.75	20.32	20.85	20.53
Sep	20.70	20.30	20.70	20.40
Oct	20.70	20.30	20.70	20.47

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	174.7	173.6	175.0	173.1
Jan	172.7	171.7	173.1	171.4
Mar	170.8	170.3	171.4	169.7
May	171.1	170.5	171.7	170.1
Jul	172.6	171.7	173.0	171.3
Aug	173.3	172.5	173.5	172.3
Sep	173.2	172.5	174.0	172.7
Oct	185.5	184.7	185.5	185.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	239/4	238/6	240/0	237/2
Mar	248/6	248/0	249/2	246/2
May	255/4	254/6	256/0	253/2
Jul	260/6	260/2	261/4	259/0
Sep	257/2	257/2	258/0	256/2
Dec	255/0	255/0	255/2	253/6
Mar	261/4	261/4	261/6	261/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	390/2	386/2	390/4	385/0
Mar	383/4	381/0	384/0	379/4
May	360/4	360/4	362/4	356/2
Jul	329/2	330/4	331/0	326/4
Sep	333/4	336/0	337/0	332/4
Dec	348/4	348/0	346/4	344/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.20	73.12	73.40	72.88
Feb	74.10	73.82	74.25	73.45
Apr	73.85	73.62	74.15	73.60
Jun	70.22	70.32	70.40	70.07
Aug	68.50	68.67	68.80	68.50
Oct	68.90	69.20	69.30	68.90
Dec	70.10	70.25	70.10	69.87

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	41.55	41.90	41.85	41.37
Feb	40.97	41.50	41.60	40.90
Apr	39.12	39.87	39.85	39.05
Jun	44.72	45.27	45.25	44.50
Jul	44.80	45.40	45.30	44.77
Aug	43.55	44.22	44.02	43.65
Oct	40.55	40.80	40.75	40.50
Dec	41.55	41.80	41.75	41.65

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	37.97	38.05	38.50	37.92
Mar	38.17	38.02	38.47	38.00
May	39.25	39.22	39.57	39.05
Jul	39.65	39.50	39.95	39.40
Aug	38.75	38.82	39.00	38.75

LONDON STOCK EXCHANGE

Equities steady but remain nervous

By Terry Byland, UK Stock Market Editor

MISFORTUNE bore down on the UK stock market from all sides yesterday but share prices managed to close firmly at the end of another erratic trading session. Traders, hard put to choose the most depressing of the latest round of negative factors, pointed to the disturbing developments in the Maxwell situation and, on the international scale, the financial grounding of Pan Am, the US airline. Attention also focused on this morning's meeting of the Bundesbank council.

Disclosure of further debts, including pension fund assets, at the Maxwell private companies hit the banking sector, which was also unsettled by the Soviet Union's foreign trade bank's suspension of debt principal payments.

Account Dealing Dates		
*First Dealings:		
Nov 25	Dec 9	Dec 30
Option Declarations:		
Dec 5	Dec 23	Jan 9
Last Dealings:		
Dec 6	Dec 27	Jan 10
Account Day:		
Dec 16	Jan 6	Jan 20

*New-time dealings may take place from 8.30 am two business days earlier.

The FT-SE Index opened easier but quickly advanced by a net 21.4 points as bear closing continued ahead of the close of the equity trading account on Friday. As soon as buying died away, the Index gave back its early gain and by the London close, when Wall Street showed a fall of 12 Dow points, the UK market was struggling to remain firm.

The final reading put the FT-SE Index at 2,423.8 for a net gain of 3.6. Traders applauded the success of the Footsie in holding on – so far – to the 2,400 level but also noted that the equity chart analysts continue to warn of further substantial falls if this level is lost.

On the corporate side, Hanson and GEC benefited from satisfactory news on dividend payments, which is one of the most tender areas of market sentiment at present, while profit figures from Bass, the brewer, were well received. But the background remained very nervous, with some retail stocks again unsettled as analysts assessed the outlook for the all-important Christmas selling season. There were further downgradings of profit forecasts for well-known names.

The Hanson statement that it is still monitoring progress at ICI brought some modest support for shares in the blue chip chemical company.

Across the range of the market, Seaq volume increased to 479m shares from the 464.7m of the previous session. Traders said that intra-market business continued to provide a high proportion of the day's activity. The institutions are holding back ahead of the commencement of trading in the new BT stock on Monday morning – a surge of applications for the stock was reported before yesterday's 10.00am deadline.

Dealers said that the London market remains divided between those recommending the stock market on a valuation basis and *those fearing a* further setback. Dividend worries, soothed to some extent by both Hanson and GEC, plagued some areas of the market.

The strategy team at Strauss Turnbull predicted that any recovery in the domestic economy will be weak, with the UK current account deficit and ERM requirements imposing restraints on economic policy. Commenting that London outperformed other leading markets in local currency terms over the final quarter of the year, Mr Ian Harnett at Strauss warned that this trend could be reversed next year.

This view was echoed at UBS Phillips & Drew which expects "an anaemic recovery", albeit coupled with a further modest fall in inflation. It believes that companies' desire to expand profit margins *may hinder the* fall in inflation.

FINANCIAL TIMES STOCK INDICES

	Dec 4	Dec 3	Dec 2	Nov 29	Nov 28	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.22	85.98	85.90	86.04	85.70	82.66	87.84 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.03	95.84	95.78	95.66	95.47	90.37	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1839.5	1836.3	1831.5	1840.1	1856.4	1689.6	2108.3 (2/9)	1605.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	168.1	168.9	170.9	171.4	171.2	154.3	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2423.8	2420.2	2414.9	2420.2	2428.6	2152.8	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1105.53	1101.60	1093.16	1107.23	1111.78	-	1198.60 (3/9)	936.62 (16/1)	1198.60 (3/9/91)	936.62 (16/1/91)
●Ord. Div. Yield	5.01	5.03	5.06	5.04	5.01	5.89				
●Earning Yld %(full)	7.45	7.48	7.52	7.49	7.45	11.89				
●P/E Ratio(Net)(*)	16.87	16.79	16.72	16.77	16.86	10.16				
SEAQ Bargns 4.45pm	23,283	23,570	23,189	23,237	20,304	19,726				
Equity Turnover(£m)†	-	500.63	637.53	570.56	865.33	1002.25				
Equity Bargains†	-	22,732	22,434	22,185	19,856	17,929				
Shares Traded (ml)†	-	428.6	307.5	440.4	477.8	436.2				

Basis 100 Govt Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ● Nil 15.91.

Ordinary Share Index, Hourly changes — Day's High 1855.2 — Day's Low 1836.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1838.8	1850.2	1850.9	1847.0	1841.1	1842.8	1844.5	1844.4	1838.7

FT-SE 100, Hourly changes — Day's High 2441.8 — Day's Low 2418.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2419.7	2433.4	2436.8	2431.1	2423.1	2424.4	2427.1	2427.8	2422.7

FT-SE Eurotrack 200, Hourly changes — Day's High 1108.37 — Day's Low 1103.71

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1108.37	1108.29	1108.64	1105.68	1105.19	1105.78	1104.33

GILT EDGED ACTIVITY

Indices	Dec 3	Dec 2
Gilt Edged Bargains	75.7	80.5
5-Day average	80.0	82.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]															
British Gas	4,200	244	+2	Hillsdown	4,300	173	+4	Reniold	125	380	+15	Unigate	638	390	+4
British Land	285	279	-1	IMI	475	220	+3	Reuters	830	913	+11	Unilever	1,400	832	+4
BP	6,000	300	-1	ICI	1,400	1190	+4	Rolls Royce	3,800	122	-1	United Biscuits	381	377	+2
British Steel	4,800	72½	-1	Inchcape	412	405	+1	Rothmans	102	1050	+6	Utd. Newspapers	1,100	385	+5
British Telecom	5,000	347	-2	Kingfisher	1,500	491	-3	Ryl Bk Scotland	2,800	163	-2	Vodafone	3,900	357	+3
Bunzl	311	79		Ladbroke	2,300	240	+3	Royal Insurance	1,400	262	-1	Wellcome	691	861	+19
Burmah Castrol	303	532	-1	Land Securities	419	470	-3	Saatchi	224	12½		Welsh Water	422	348	+3
Burton	1,900	37½		Laporte	1,500	611	+10	Sainsbury	2,600	346	+2	Wessex Water	198	380	
Cable & Wire.	1,900	567	-6	Legal & General	1,000	385	+1	Scottish & New.	674	401	+4	Whitbread 'A'	1,700	429	+6
Cadbury Schweppes	580	401	+1	Lloyds Abbey	357	349		Scot. Hydro-Elect.	256	100	+1	Williams Hldgs.	1,200	300	
Calor Group	351	243	+6	Lloyds Bank	2,800	357	-7	Scottish Power	2,400	101		Willis Corroon	5,000	241	-7
Carlton Comms.	825	433	-16	LASMO	2,600	258	-4	Sears	2,200	94	-1	Wimpey	256	136	+1
Coats Viyella	1,300	171	+3	London Elect.	374	235	-3	Sedgwick	178	209	-6	Yorkshire Elect.	63	282	+2
Comm. Union	351	450	+9	Lonrho	8,100	177	-23	Seeboard	195	250	-2	Yorkshire Water	248	359	-1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Bass statement pleases

A STRONG lead for the brewery issues came as Bass jumped 36 to 959p. The company disclosed plans to split its stock after turning in results slightly above expectations and making an upbeat trading statement.

Bass said profits in the year to September 30 fell 5 per cent to £508m, but they were at the top of the analysts' range and once an exceptional charge and credit was stripped out they were closer to £537m.

Digestion of the figures led to a broad spread of views and forecasts. Among the bulls are County NatWest, which now predicts £608m for the forthcoming year against its previous estimate of £545m, and has moved its stance from a sell to a hold. BZW is slightly lower at £580m but remains a keen buyer of the shares.

Way down at the other end of the spectrum is Mr John Wakely of Lehman Brothers, the US investment bank. He predicts that the company will make only £480m, which is £9m up from his previous view.

Mr Wakeley was also advising clients to switch out of Bass and into Grand Metropolitan ahead of the group's full-year figures today. He believes tighter beer prices will lead to a "severe erosion" of Bass's profitability, and argues that GrandMet is beginning to look good value in the US, where about 10 per cent of the shares are held, as well as in the UK. Bass ended only 3 off its high of the day, while GrandMet rose 21 to 846p, partly helped by US buying.

Other brewers benefited from the general sentiment. Whitbread "A" gained 16 to 439p and Allied-Lyons advanced 9 to 589p.

Banks fall again

National Westminster led the banks lower, suffering particularly as the sector faced a comprehensive downgrade by UBS Phillips & Drew. The UBS team pencilled in a forecast loss for the year of £50m for NatWest, on the assumption that the bank's total exposure to the Maxwell empire has been provided for. UBS said it expects the dividend to be maintained. NatWest shares *dipped 10 to 265p on turnover* of 5.1m.

Midland slipped below the 200p level, closing 9 off at 196p on 2.6m, with securities house Smith New Court adjusting its numbers on profits and dividends. Mr Michael Lever, banks analyst at Smith expects Midland to report a £43m loss for 1991 and to cut the dividend from 9p to 3.4p. For 1992 he is looking for profits of £223m and a dividend of 6.8p.

The Smith analyst said the loss would be struck after allowing for bad debts, which would wipe out what are expected to be record operating profits at the bank. Mr Lever rated Midland shares "one of the market's outstanding recovery plays".

Lloyds, which has leapfrogged NatWest as the UK's second biggest bank in market capitalisation terms, eased 7 to 357p, and Barclays fell 9 to 347p. TSB, still labouring under the dismal profits outlook and the absence of any takeover interest since the shareholding restrictions were lifted last September, *eased 2½ to 115p*, the lowest level since November 1989.

Lonrho hard hit

The market demonstrated its unease over the recent poor performance of Lonrho shares by marking them progressively lower over a difficult trading session. By the close they were 23 down at 177p, the lowest level since August 1988 and making a two-day drop of 43.

Dealers said they had become increasingly concerned by Lonrho's failure to issue a formal statement regarding the sharp setback in the share price this week. "One would expect a company of this size and importance to have reassured the market after such a steep decline," said one trader.

Lonrho has attracted substantial selling pressure over recent sessions, reflecting, according to marketmakers, worries over the so-called "tycoon factor" – the dominance of a single, strong individual in the boardroom. Other concerns included fears about the dividend and the balance sheet. In the background some metal prices have been losing ground, they said.

Turnover in Lonrho grew substantially, reaching 8.1m shares yesterday, its highest one-day volume since September last year. RTZ fell a further 26 to 466p, the lowest since February 1991. There were 6.9m shares traded in RTZ, the highest in a single trading session since the autumn of 1988.

GEC made good late progress to close 4 ahead at 181p, with turnover expanding rapidly to 9.8m after interim figures in line with expectations. Electronics analysts adopted a bullish tone on the shares.

Ratners, bruised by yet another profits downgrading, weakened 8 to 39p on 1.9m.

Hanson held firm on full-year profits in line with market forecasts and an acceptable statement. One observer said the presentation was "terribly bland" but there was enough enthusiasm to push the stock up 2½ to 199½p on respectable turnover of 11m shares. Mr Jack Jones of UBS Phillips & Drew repeated his stance that the shares were worth buying at 200p.

In the statement Lord Hanson said the management of ICI was starting to improve its shareholder value. ICI closed 4 firmer at 1190p.

Mansfield Brewery moved ahead 25 to 514p on sharply improved interim results.

The oil exploration and production sub-sector endured further sustained selling pressure but was showing signs of stabilising towards the close. Lasmo, battered after the increased bid terms for Ultramar, slid to 254p before closing a net 4 off at 258p, while the latter suffered even more, dropping 17 to 273p, around 9 per cent below the level of the bid, as one specialist pointed out. Enterprise Oil fell 15 to 473p on heavy turnover of 3.2m, weakened by perceptions that asset valuations may be too high.

Monument Oil & Gas lost 1¾ to 37¾p, with large lines of stock swilling around the market after an unsuccessful attempt some days ago to place around 12m shares. A stock shortage boosted Calor Group 9 to 244p. News from the Halifax Building Society, one of Britain's largest home lenders, that UK property prices continue to fall added to the gloom in the sector.

Stakebuilding in Hammerson Property by French group L.D. Estates left the ordinary shares down 15 at 618p and the "A" 15 cheaper at 548p.

Rosehaugh rose 2½ to 13p ahead of its results, due tomorrow, and on hopes that its long-winded merger talks with Stanhope Properties would bear fruit. The latter was up 2 at 43p.

Pharmaceuticals giant Glaxo advanced 9 to 818p after announcing that its US share base had risen by 33m shares.

Many stocks traded in the ADR form were firm. Reuters improved 11 to 913p and Wellcome was up 19 to 861p.

Rank Organisation dropped 19 to 583p as marketmakers looked for a floor to the stock, which has fallen consistently over the past week following analysts' downgrades. Earlier in the day, suggestions that Rank was finding it difficult to extract a good selling price for one of its London hotels and talk by one securities house of a likely dividend cut added to the negative sentiment.

Hotel group Stakis declined 5 to 29p as a stock overhang dragged it down.

A 10 per cent interim dividend increase by Siebe, together with an upbeat statement, propelled the shares forward 30 to 493p. A 12 per cent fall in profits to £75.2m was in line with market expectations. The dividend was lifted from 5.5p to 6.05p.

Pilkington, one of the leading yield stocks, came under pressure on worries that an announcement of a cut in the year-end dividend may be signalled with today's interim figures. The shares lost 10 to 112p as turnover rose to 6m. The range of analysts' forecasts is between £35m and £50m.

B. Elliott plunged 19 to 24p as nerves set in about the group's delayed half-time results.

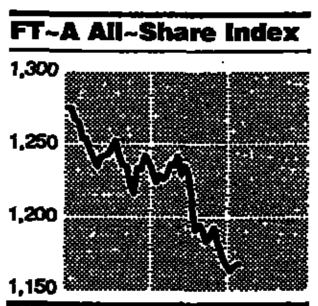
Mini-conglomerate Cannon Street Investments plummeted 58 to 20p after the group warned of poor trading conditions to come, passing of the final dividend and boardroom changes. The 74.4 per cent fall was the biggest on the day.

Carlton Communications slid 16 to 433p ahead of full-year results expected next Tuesday. There is some concern that hopes for a 20 to 25 per cent profits bounce in the forthcoming year will be hit by a dull economic environment.

MARKET REPORTERS:
Peter John, Joel Kibazo, Christopher Price, Steve Thompson.

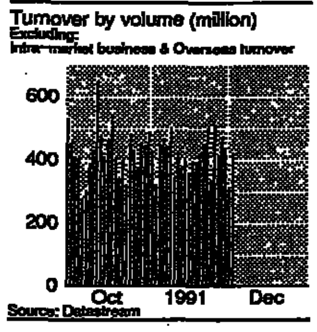
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 20.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (78). [illegible] AMERICANS (1) IBM, CANADIANS (2) Gulf Canada, Imperial Oil, BANKS (1) TSB, BUILDING MATERIALS (5) Ibstock Johnsen, Pilkington, Quiligotti, Sharpe & Fisher, Ward Group, CHEMICALS (1) Leigh Interests, CONGLOMERATES (5) Cannon St. Invs., Harrisons & Cros., Lonrho, Trafalgar Hse., Do. A. CONTRACTING & CONSTRUCTION (12) AMEC, Do. 6.5p Prf., Barle, Bryant, Countryside Props., Higgs & Hill, Laing (J), Do. A N/V, Lilley, Lovell (YJ), NSM, Ward [illegible] FINANCIAL (2) Gerrard & Nat., Japan OTC Fd., OTHER INDUSTRIAL MATERIALS (1) Nokia, PROPERTY (14) BHH, City Site Ests., Derwent Valley, Gt. Portland, Hambro Countrywide, Hammerson A, Land Sec., MEPC, Ossory Ests., Savills, Scot. Metrop., Speyhawk, Trencherwood, Wood (JD). STORES (3) Clinton Cards, Ratners, Do. 6⅞p Prf., TRANSPORT (1) P & O Wrnts. '88-92, PLANTATIONS (1) Rowe Evans, MINES (2) Cluff Res, Young Grp.

EQUITY FUTURES AND OPTIONS TRADING

PESSIMISM following poor GNP figures from the US halted early advances in Footsie futures yesterday, writes Joel Kibazo.

The December contract started tentatively but was squeezed higher by independent traders and rose to a healthy premium to cash.

It led the cash market higher until profit-takers moved in once December reached 2,465. Then, dealers turned their attention to the opening of Wall Street. The poor GNP figures put paid to hopes of a firm start to US trading and sellers pushed December back again.

By the close, December stood at 2,440, some 6 points ahead of its estimated fair value, the premium which allows for dividend flow and financing costs on the underlying Footsie stocks.

Trading in the LTOM was also reported to be quiet. Volume reached 25,763 lots. Hillsdown was the busiest stock option. It traded 1,265 contracts with the March 1992 puts the busiest series. This was followed by Ladbrokes with a day's total of 1,015 lots.

Ultramar traded 951 contracts, while Hanson, which released favourable figures, traded 923 contracts. Pilkington was active ahead of today's interim figures.

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

[illegible]

APPOINTMENTS

Hand-overs at Guinness

Tony Greener, *who joined the* board of Guinness as a non-executive director after the Distillers takeover in 1986 and a year later was given the task of reorganising the sprawling spirits empire, is to succeed Anthony Tennant as chairman and chief executive.

Tennant, brought in from Grand Metropolitan in 1987 to restore the group's fortunes and reputation after the share *support scandal and the* demise of former chairman, Ernest Saunders, is to retire at the end of next year.

Greener, present joint group managing director and head of the United Distillers operation, will become chief executive of Guinness in January and succeed Tennant as executive chairman a year later.

The move marks a smooth continuation of the management strategy which has seen Guinness in the past four years raise pre-tax profits from £408m a year to £837m.

Greener, aged 51, a tough ocean-racing sailor, has been at Tennant's right hand during the years which have turned the group into one of the UK's most profitable exporters.

He came to Guinness from Dunhill, which he transformed over 12 years from a primarily tobacco-based group with a market capitalisation of £15m into Britain's premier luxury goods group, worth some £350m.

Since 1987, he has helped *Tennant plan and implement* the marketing-driven strategy that turned the old Distillers' company of autonomous and often warring fiefdoms into a cohesive, regionally-based organisation, focused on international brand development.

Greener is also a director of LVMH, the French drinks and luxury goods group in which Guinness has a 24 per cent cross-shareholding.

Other management changes were also announced yesterday. Brian Baldock, 57, currently joint group managing director and head of the Guinness worldwide brewing operations, will become a deputy chairman of the group in May next year. His career has included marketing positions with Courage and Procter & Gamble.

Greener will be succeeded at United Distillers by Crispin Davis, 42, managing director of UD's European operations. A former UK marketing director of Procter & Gamble and later managing director of its German business, he has reorganised and strengthened UD's brand marketing in Europe. He was responsible for the acquisition of Asbach, the German spirits company.

Davis will become deputy managing director of UD in January and take over as managing director in July next year. Lord Iveagh, president, and Lord Macfarlane, deputy chairman, will retire in May next year.

■ Nigel Symington, formerly marketing director of Britvic, has been appointed European marketing director of TROPICANA EUROPE.

■ Roger Sellew has been appointed president of ADVANCED ELASTOMER SYSTEMS, a joint venture between Monsanto and Exxon Chemical. He replaces Gary O'Connor, who has resigned.

■ SCOTTISH & NEWCASTLE announces that Clive Turner has been appointed commercial director of Matthew Brown. He moves from Metro Radio.

■ Peter Huntley has been promoted to strategic planning director of MATTHEW CLARK.

■ Jonathan Platts-Mills becomes a director of LONRHO.

■ Nicholas Gay has been appointed finance director of BRABANT RESOURCES.

Ryder returns to AB Electronic

For Paul Ryder his appointment as group managing director of AB ELECTRONIC Products is a return to former pastures. The 45-year-old Ryder was director of AB's automotive division until two years ago when he moved to Lucas as director of its chassis systems division.

AB, which is based at Abercynon outside Cardiff in south Wales, has been caught by the downturn in the motor and consumer products industries – its customers include Jaguar, Mercedes, BT, and Boeing. Following a drop into the red in the 1990-91 financial year, its then managing director, Edwin Merrette, took "early retirement for health reasons" in October. The company has been conducting a big rethink of its strategy over the past 18 months as the recession has *bitten increasingly into its* base and its workforce has been cut back sharply to around 4,000 worldwide.

Yesterday the chairman, Sir Peter Phillips said, Ryder's appointment would "take full advantage of the restructuring".

Death at ADT

David Bates, chief operating officer of security and car auction company ADT, died suddenly on Tuesday at the age of 52.

While ADT itself is a secretive organisation, sustaining a running controversy among other things about its accountancy practices, Bates' friends and colleagues in the UK remember him as a straightforward man of integrity, who was also a good motivator of his staff.

Based at the corporate headquarters in Boca Raton, Florida, he had been chief operating officer for the last year. He joined the company in 1981, and oversaw the cleaning and *maintenance businesses before* ADT pulled out of those areas.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1991 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs	33⅝xd	−⅛	34⅝	20⅞	14,342	1.7
Allegheny & W	268p	—	369p	218p	189.3	6.3
Amdahl	710pxd	+5	19⅛	667p	766.5	0.8
Amer Cyanamid	31	−½	42⅛	25⅜	[illegible]	2.7
Amer Express	10⅝xd	−⅛	17⅞	9⅜	4,999	5.3
Amer T & T	20½xd	+⅛	24½	15¼	26,776	3.6
Ameritech	34¾	+⅛	39⅞	32½	16,214	5.5
[illegible]						

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MISCELLANEOUS - Cont.

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

‡‡Kells Mnls I£	39	—	46	33	8.94	—	—
‡Kenmare	8½xr	—	25	6½	6.24	—	—
‡‡Navan Res I£ ... n	16	—	20	15	8.87	—	—
Northgate Expl C$ ... s	51	−1	99	47	6.45	—	—
North West Expl A$	6	—	16	5	2.02	—	—
Oryx Gold $	123	—	188	82	—	—	—
‡‡Ovoca Gold I£	11	—	28	10	0.77	—	—
Plateau	16	—	44	16	2.98	—	—
■RTZ	466	−27	605	404	4,846	5.6	—
♥Thorco Res	6½	—	11	3¼	—	—	—
‡Vizcaya	2½	—	18	2	1.34	—	—
♥Western & Pac C$	20	—	152	20	11.8	—	—
‡Young Grp	106	−2	133	106	8.99	6.5	—

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
● "Tap Stock"
• Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially UK listed; dealings permitted under Rule 535(2)
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♣ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
j Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1990.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1989-90.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1150 a year for each security shown, subject to the Editor's discretion

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AUTHORISED UNIT TRUSTS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int	6	114.2	114.2xd	121.2	+0.4	9.49
High Inc Equity	6	124.0	127.0	135.1	+0.2	6.29
Worldwide Bond	6	212.1	212.1xd	224.7	+0.7	6.68
Capital Growth						
American Growth	6	194.7	194.7	208.0	-1.0	1.07
Asian Pacific	6	117.9	117.9xd	126.0	....	1.25
Assets & Earnings	6	173.4	173.4xd	185.4	+0.7	3.24
Capital Reserve Acc	0	110.49	110.59	110.66	+0.04	6.86
Capital Reserve Inc	0	87.41	87.41	87.46	+0.03	6.86
Country & Energy	6	72.51	72.51	77.55	-0.74	1.75
1992 Enterprise	6	62.82	62.82	67.18	+0.16	3.07
Euro Capital Acc	6	83.47	83.47	89.27	+0.91	1.17
Euro Capital Inc	6	79.75	79.75	85.29	+0.48	1.17
General	6	164.0	164.0	175.4	+0.4	2.85
Japan	6	92.98	94.00	100.0	+1.38	-
Mastertrust	6	87.22	87.22	93.28	+0.43	2.74
UK Growth Acc	6	168.1	175.4	186.5	-0.3	2.14
UK Growth Dist	6	106.8	111.4	118.5	-0.2	2.18
US Emerging Cos	6	72.61	73.89	78.60	+0.59	-
Income & Growth	6	283.9	283.9xd	303.6	+0.8	4.61
Ethical	6	52.47	53.74	57.16	-0.02	2.73
International	6	60.24	61.02	64.91	+0.42	1.36
Dividend & Growth	6	46.42	47.55	50.58	-0.03	5.93
Global Gwth & Sec	6	52.32	52.57	55.92	-0.05	3.11
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	1105.0	1105.0	1159.0	....	0
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	28.22	28.22	29.92	-0.02	2.66
Cash	0	50.05	50.05xd	50.05	+0.01	10.15
European	5¼	64.45	64.45	68.39	+0.55	0.33
European Income	5¼	68.60	68.98xd	72.77	+0.17	1.68
Exempt	1	753.3	753.3	779.0	-0.1	5.24
Extra Income	5¼	36.18	36.18xd	39.51	+0.07	6.27
Far East Emerg Econs	5¼	47.12	47.12	50.50	+0.25	1.27

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General (20-1)	5	43.16	43.20	45.70	-0.1	5.42
(Accum Units) (20-1)	5	106.76	106.8	113.0	-0.3	5.42
Gilt Income	5	57.28	57.30xd	60.20	+0.2	9.8
(Accum. Units)	5	128.73	128.8	135.3	+0.3	9.8
Gold	5	36.79	36.80	38.90	-0.5	1.74
(Accum Units)	5	42.21	42.30	44.70	-0.5	1.74
High Income (20-1)	5	19.22	19.40	20.50	+0.1	6.95
(Accum Units) (20-1)	5	65.58	66.20	70.00	+0.5	6.95
Intl Growth (20-1)	5	51.12	51.20	54.10	+0.2	1.16
(Accum Units) (20-1)	5	87.13	87.20	92.20	+0.2	1.16
International Inc	5	65.95	66.10	69.90	+0.1	6.2
(Accum Units)	5	85.71	86.60	91.50	+0.2	6.2

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Murray Johnstone UT Mgmt (1000)H						
7 West Nile St, Glasgow G2 2PX 0345 090 933						
Acumen	5	67.15	67.34	71.87	+0.37	4.51
Acumen Reserve	3	66.48	66.48	68.96	....	9.66
American Income	5	124.86	124.90	132.50	-1.20	3.66
Equity Income	5	76.18	76.18xd	81.30	-0.05	6.30
European	5	90.95	90.95	94.37	+0.32	1.40
Far Eastern	5	104.83	104.90	111.90	+0.60	0.92
Smaller Cos	5	46.49	46.49xd	49.61	-0.22	3.08
Olympiad	5¼	45.09	45.09	48.12	+0.42	0.94
Olympiad Income	5¼	41.72	41.72xd	44.50	+0.12	6.28
UK Growth	5	72.33	73.06	77.98	+0.34	1.93

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

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Funds in Court*

	Bid Price	Offer Price	+ or −	Yield Gross
Capital Nov 28	480.30	483.83	----	2.42
Gross Nov 28	179.53	180.97	----	10.70
High Yield Nov 28	279.39	281.62	----	7.81

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Pensions Mngd	50.45	51.54	+0.34	3.95

INVESCO MIM Management Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Exempt Funds				
Intl Mngd P'Folio	1128.0	1216.0	----	-
Mngd Pens (Acc)	64.1	68.3	----	-

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Property Sept 5	£2440.0	2600.0	----	6.00
Inc Gth Prp Apr 16	£1375.0	1460.0	----	7.20

Lazard Investors Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Exempt Funds				
Small Co's Nov 29	£3971.5	4143.4	----	3.94
European Nov 29	£535.2	541	----	2.10
American Nov 29	£331.7	335.5	----	2.42
Japan Nov 29	£477.4	483.0	----	1.35
Pacific Nov 29	£136.8	140.5	----	1.97
W Midlands Sep 30	£147.60	164.90	----	2.48

Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL. 0793 514514

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Fixed Int. Dep. Acc.	325.6	342.8	+0.1	-
Equity Acc.	992.8	1045.1	+5.1	-
Property Acc.	487.4	513.1	----	-
Far East Acc.	195.9	206.3	+1.4	-
European Acc.	24.7	26.0	+0.2	-
Managed Cap.	416.1	438.0	+2.0	-
Managed Acc.	779.5	820.6	+3.7	-
O'seas Earnings Acc.	691.5	727.9	+2.9	-
Gilt Edged Acc.	370.2	389.7	+0.8	-
American Equity Acc.	531.9	559.9	-1.3	-
American Man Acc.	237.3	249.8	-0.6	-
American Prop Acc.	123.1	129.6	-0.2	-
High Income Acc.	22.8	24.1	+0.1	-
Gen 4				
Fixed Int Dep Acc.	27.1	28.6	----	-
Equity Acc.	26.0	27.4	+0.1	-
Property Acc.	23.3	24.6	----	-
Far East Acc.	22.8	24.0	+0.2	-
European Acc.	20.8	21.9	+0.2	-
Managed Acc.	26.1	27.5	+0.1	-
Overseas Acc.	26.7	28.2	+0.1	-
Gilt Acc.	28.7	30.3	+0.1	-
Am Equity Acc.	26.3	27.7	-0.1	-
Am Managed Acc.	25.7	27.1	----	-

Guardian Royal Exchange

Royal Exchange, EC3 071-283 7101

Guardian Assurance

	Bid Price	Offer Price	+ or −	Yield Gross
Property Bonds	660.9	688.4	----	-
Gtd Pens With-Pfts Lg-tm	132.0	139.0	----	-
Pens With-Pfts St-tm	123.8	130.4	+0.1	-
Pens Managed	146.7	154.5	+1.1	-
Pens Equity	149.2	157.1	+1.4	-
With Pfts Long-Tm	107.5	113.1	----	-
With Pfts Short-Tm	106.5	112.1	----	-
Freedom Managed	88.2	92.8	+1.3	-

Legal & General — Contd.

Unit Pensions

Kingswood, Surrey, KT20 6TH 0737 370370

	Bid Price	Offer Price	+ or −	Yield Gross
Ex. Bldg. Soc. Unkd.	160.0	168.5	+0.1	-
Do. Accum.	203.0	213.7	+0.1	-
Exempt Cash Init.	283.6	298.6		-
Do. Accum.	454.7	478.7	+0.2	-
Exempt Eqty Init.	820.5	863.7	+3.5	-
Do. Accum.	1315.2	1384.5	+5.9	-
Exempt Euro Init.	149.1	157.0	+1.0	-
Do. Accum.	183.8	193.5	+1.1	-

Manulife Group — Contd.

Pension Fund Prices

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Init.	317.9		----	-
Do. Accum.	473.5		----	-
Property Init.	319.9		----	-
Do Accum.	477.5		----	-
Equity Init.	380.5		----	-
Do Accum.	567.8		----	-
Gilt-Edged Init.	263.7		----	-
Do Accum.	407.2		----	-
Guaranteed Init.	210.8		----	-

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	104.1	109.6	---	-
Pension Managed Fd	101.8	107.1	---	-
Life Deposit Fd	111.0	116.9	---	-
Pension Deposit Fd	117.8	124.1	---	-

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422
Harvester Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	162.5	171.1	-2.8	-
UK Equity	167.5	176.4	-6.0	-
Overseas Equity	131.4	138.4	+0.5	-
Fixed Interest	155.2	163.4	+0.9	-
Property	130.3	137.2	-2.7	-
Index Linked	151.5	159.5	-0.7	-
Deposit	164.7	173.4	+0.3	-
With Profits (B)	134.7	141.9	+0.3	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	343.0	361.1	+1.1	-
UK Equity	427.3	449.8	+2.4	-
Overseas Eq	328.9	346.3	+0.1	-
American	278.8	293.5	-0.8	-
Far East	353.5	372.2	+2.6	-
Property	194.3	204.6	---	-
Fixed Int	271.9	286.3	+0.6	-
Indexed Gilt	161.0	169.5	+0.2	-
Deposit	188.2	198.2	---	-
With Profit	105.3	110.9	---	-
Pension Fund (Accum Units)				
Managed	495.7	521.8	+2.3	-
UK Equity	580.2	610.8	+3.2	-
Overseas Eq	556.9	586.3	+2.8	-
American	352.1	370.7	+1.2	-
Far East	579.0	609.5	+4.6	-
Property	248.0	261.1	-0.1	-
Fixed Int	338.3	356.2	+0.9	-
Indexed Gilt	175.7	185.0	+0.3	-
Deposit	267.2	281.3	+0.1	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	213.9	225.7	-0.1	-
UK Fixed Int Acc	189.6	200.1	+1.1	-
Intl Equities Acc	168.0	177.3	+4.8	-
UK Managed Acc	168.2	177.4	+0.3	-
Property Acc	224.5	236.9	---	-
Money Acc	134.1	141.5	+0.1	-
Special Market Acc	144.1	152.1	+0.2	-
Japan Equity Acc	96.1	101.4	+1.5	-
North American Acc	97.8	103.2	+1.8	-
Pacific Acc	91.5	96.6	+0.4	-
Technology Acc	119.7	126.3	+1.5	-
Nat Resources Acc	55.5	58.6	-1.1	-
European Acc	96.7	102.1	+2.4	-
Residential Prop Acc	90.6	95.6	---	-
Swiss Equities Acc	32.0	33.8	+0.4	-
Hong Kong Acc	68.4	72.2	+1.7	-
UK High Inc Eq Acc	69.3	73.2	+0.3	-
Int Fixed Interest Acc	60.8	64.2	+0.2	-
Int Managed Acc	55.2	58.2	+1.1	-
HIP Managed Acc	113.8	120.0	-0.4	-
HIP Managed II Acc	98.9	104.3	+0.2	-
HIP Managed III Acc	106.9	112.7	+0.8	-
Total Investment Bond				
UK Equity Initial		145.0	-0.1	-
UK Fixed Int Initial		128.8	+0.7	-
Intl Equities Initial		113.2	+3.1	-
UK Managed Initial		114.2	+0.2	-
Property Initial		153.5	---	-
Money Initial		91.4	---	-
Special Market Initial		111.6	+0.2	-
Japan Equity Initial		74.4	+1.1	-
North American Initial		73.7	+1.3	-
Pacific Initial		70.9	+0.3	-
Technology Initial		92.7	+1.2	-
Nat Resources Initial		43.0	-0.8	-
European Initial		86.5	+2.1	-
Residential Prop Init		86.2	---	-
Swiss Equities Initial		30.4	+0.3	-
Hong Kong Initial		65.2	+1.6	-
UK High Inc Eq Init		66.0	+0.2	-
Int Fixed Interest Init		58.6	+0.1	-
Int Managed Init		53.3	+0.9	-
HIP Managed Init		110.3	-0.3	-
HIP Managed II Initial		97.1	+0.2	-
HIP Managed III Init		106.1	+0.8	-

Finexco International Ltd
PO Box 193, St Peter Port, Guernsey 0481 713100

	Bid Price	Offer Price	+ or -	Yield Gross
Intl $ Strategy Fd	$1.100	1.183	---	-
Intl £ Strategy Fd	£1.271	1.367	---	-
Intl DM Strategy	DM1.653	1.778	---	-
$ Defensive Strategy Fd	$1.988	2.138	---	-
$ Aggressive Strategy Fd	$1.944	2.091	---	-

Underwritten by Providence Capital Intl.

UK Property Bond 101.0

Underwritten by Providence Capital Life Assurance

Hansard International Ltd.
PO 192, Bank Hill, Nth Quay, Douglas IoM 0624 672111

Knight Williams & Company Ltd
161 New Bond Street, London W1Y 0LA 071-408 1138

	Bid Price	Offer Price	+ or -	Yield Gross
KW Global Inc & Gth	123.0	129.4	+0.4	-
KW Principal Portfolio	106.9	112.5	+0.5	-
KW Cautious Portfolio	98.5	103.6	+0.5	-
KW British Portfolio	104.8	110.3	---	-
KW Cautious British	103.8	109.2	---	-
KW High Risk Portfolio	103.1	108.5	+0.3	-
KW Income Distribution	93.2	98.1	-0.1	-
KW International	101.7	107.0	+0.5	-
KW Investment Trust	102.6	108.0	+0.6	-
KW Albany	111.9	117.7	+0.7	-
KW Albany (Intl)	95.5	100.5	+0.7	-
KW CM/Fidelity (z)	120.4	126.8	+0.6	-
KW GRE	100.0	105.3	+0.8	-

Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St. Peter Port, Guernsey, C.I. 0481 710461

Lazard Select Investment Trust Ltd

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Active	½	£9.709	9.709	9.899	---	1.00
UK Active	½	£10.75	10.75	11.01	---	5.00
UK Liquid Assets	½	£10.00	10.00	10.05	---	10.5
UK Index	½	£11.21	11.21	11.68	---	4.3
US Index	½	£12.54	12.54	13.00	---	2.8
Japan Index	½	£6.771	6.771	6.988	---	0.2
Europe Index	½	£11.19	11.19	11.60	---	3.2

Lion World Fixed Income Fund
Albert Hse, Sth Esplanade, St Peter Port 0481 713996

Lion World	99,882	99,882	100,841	---	---

Lloyds Intl Money Market Fund Ltd
Sarnia Hse, Le Truchot, St. Peter Port, Gsy 0481 724983

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$16 64	17.48xd	-0.09	1.05
Japan Tech.	$57.23	60.10	+0.89	-
Japan Fund	$24.50	25.73	+0.46	0.17
Japan New Carlo Fd.	$18.20	19.11	+0.12	-
Malay Sing.	$53.68	56.37	+0.11	0.31
Nth American	$22.01	23.12	+0.08	0.58
October Fund	$21.53	22.61xd	+0 10	0.88
Pacific Fd.	$61.34	64.41xd	+0.06	-
International Bond	$17.01	17.87xd	.....	6.89
Europa Fund	$13.00	13.65xd	-0.02	-
British Screen Fd.	£0.88	0.93xd	.....	-
Trivar Warrant	$10.91	11.46	+0.09	-
Hong Kong	$51.16	53.72xd	+0.51	3.09
Mngd Portfolio (Stlg)	£4.00	4.32	+0.02	-
Mngd Portfolio (DM)	$10.08	10.64	+0.04	-
Currency Fd-Sterling	£19.73		.....	-
Currency Fd-US Dollar	$15.48		+0.01	-
Curr Fd-Deutschmark	DM40.96		+0.03	-
Curr Fd-Managed $	$45.80	48.09	+0.08	-
Federated International Funds Plc				
Federated Short-term US Gov't Securities Fund				
Institutional Ser Serv*	$1.00		.....	4.64
Investment Series*	$1.00		.....	4.54

*Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM						0624 661551
ADI Managed(a)	5	$0.5709	0.5709	0.6080	[illegible]	1.35

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Trust Funds—Contd.						
UK Equity	5	140.27	140.27	152.06	-0.46	0.91
International Equity	5	112.64	112.64	119.86	+0.77	0.00
Far Eastern	5	87.14	87.14	93.36	+0.07	0.00
European	5	78.87	78.87	83.62	+0.27	0.00
Pan American	5	149.01	149 01	157.94	+0.16	0 00
TSB Gilt Fund Ltd						
Quarterly Share	5	97.31	97.31	100.56	+0.19	10.24
Monthly Share	5	95.19	95.19xd	98.35	+0.19	10.47

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Currency Funds				
Sterling	£21.46		.....	9.5
US Dollar	$31.52		.....	3.7
Deutschemark	DM55.55		+0.01	7.9
Yen	Y4,061		.....	5.0
Managed Multicurrency	£13.20	13.40	+0.02	-
Managed Multicurrency	$25.30	26 19	.....	-
Bond Funds				
Sterling Bond	£0.404	0.419	-0.001	10.6
US Government Income	$90.01	102.92	+0.30	6.7
Asian Selection Funds				
Hong Kong	$12.881	13.475	+0.075	3.0
Indonesia	$7.533	7.930	+0.036	2.5
Korea	$9.954	10.478	-0.144	2.5
Malaysia	$9.546	10.048	+0.027	0.5
Philippines	$10.757	11.323	+0.004	2.5
Singapore	$11.389	11.988	+0.034	1.0
Thailand	$11.557	12.166	+0.212	2.5
South East Asia	$10.780	11.347	+0.059	3.0

	Bid Price	Offer Price	+ or -	Yield Gross
Unibank SA, Frontrunner I (u)				
Equities 92	Ecu74 13			-
Global Bonds	DKr116.67			-
Global Bonds	DM110 97			-
Sterling Fund	£138 20			-
Scandinavian Bond	DM114 20			-
Danish Bonds	DKr114 94			-
Unico Financial Services SA Lux				
DG Investment Bank Ltd				
Unico Invest. Fund.	DM66 64	68.70	.....	3.00
Unico Equity Fund (u)	DM57 18	58 90		3.00

	Bid Price	Offer Price	+ or -	Yield Gross
GT Management Plc—Contd.				
GT Latin America Fd (u)	$15 30			-
GT Newly Ind Co Fd (u)	$27 86		-0 24	1 86
GT Taiwan Fd (u)	$8 30		-0 26	-
GT Technology Fd (u)	$48 24		-0 51	-
GT UK Small Cos Fd (u)	$7 42		-0 04	-
GT US Small Cos (z)	$15 88		+0 10	-
Gala Currency Funds				
Gala Hedge I	$102.04	102 46		-
Gala Hedge II	$192 28	196 19		-
Gala Hedge III	$32 63	33 88		-

	Bid Price	Offer Price	+ or -	Yield Gross
Nomura Warrant Fund 1990 Ltd				
NAV	$0 94		.....	-
North Star Fund Managers (Cayman) Ltd				
Invest Fund	DKr318.0	319 0	---	-
Low Risk Fund	DKr249.0	253.0	.....	-
High Perf Fund	DKr304 0	305 0	..	-
Bond Fund	DKr176.0	177 0	.....	-
Second Low Risk Fd	DKr188 0	189.0	-	-
Second High Perform Fd	DKr229 0	230.0	.....	-
Mixed Inst Fd.	DM162 0	162 0	-	-
Invest Fd (Cayman)	DKr143 0	144 0	-	-

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up on Soviet debt move

THE DOLLAR rallied and D-Mark weakened yesterday after the Soviet Bank for Foreign Economic Affairs said it had suspended principal debt payments to Western commercial banks from today.

Vnesheconombank said the Soviet Union was facing "a very critical situation in the economic and financial field." The news reminded the market about the deepening economic crisis and the unfolding political turmoil in the Soviet Union. On Tuesday the Federal Reserve chairman, Mr Alan Greenspan, warned that the disintegration of the Soviet Union could result in hyper-inflation.

The dollar rose from DM1.6050 to DM1.6150 as talk of the Soviet suspension swept around the market. But according to Mr David Cocker, economist at Chemical Bank in London, when it emerged that Vnesheconombank would continue to make interest payments to the banks, the dollar's rally ran out of steam.

The dollar had been weaker before the Soviet news on a poor set of US revised gross national product figures. GNP rose by 2.0 per cent in the third quarter compared with a previous estimate of 2.4 per cent and expectations of a 2.8 per cent increase.

The worries about economic weakness were reinforced later in the day after Mr Marlin Fitzwater, the White House spokesman, said the American economy is growing more slowly and has "real problems."

Many analysts said there is a growing belief that the slow pace of recovery could force another easing on the Federal Reserve. The November employment report, released tomorrow, could determine whether the Fed moves on rates.

The currency market is expecting non-farm payroll to have fallen by 22,000 compared with an October decline of 1,000. Some operators now think the Federal Reserve will wait for the inflation figures next week: if they show that cost pressures are under control, the way will be clear for Fed funds to be lowered to 4½ per cent from 4¾ per cent.

The dollar rose to DM1.6140 from DM1.6135; to SFr1.4290 from SFr1.4275; and to Y129.50 from Y129.45.

The D-Mark suffered from the Soviet announcement as dealers worries about the implications for the German banking system. But the market may have over-reacted: analysts pointed out that as most German banks have made provisions against Soviet debt, the impact would be not be that great.

The D-Mark was also underpinned by continuing suggestions that the Bundesbank may decide to raise rates at its council meeting today. Opinion appeared to be evenly divided on whether the Bundesbank would wait until after the Maastricht summit before tightening.

The mark slipped back slightly within the ERM. It's lead over the weakest currency fell to 3.15 per cent from 3.21 per cent. Sterling closed at DM2.8625 from DM2.8575.

£ IN NEW YORK

Dec.4	Latest	Previous Close
£ Spot	1.7720-1.7730	1.7750-1.7760
1 month	0.82-0.81pm	0.85-0.83pm
3 months	2.51-2.48pm	2.50-2.47pm
12 months	9.40-9.30pm	9.30-9.20pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.4	Previous
8.30 am	90.4	90.5
9.00 am	90.4	90.5
10.00 am	90.4	90.5
11.00 am	90.5	90.4
Noon	90.5	90.4
1.00 pm	90.5	92.4
2.00 pm	90.5	90.5
3.00 pm	90.5	90.5
4.00 pm	90.5	90.5

CURRENCY MOVEMENTS

Dec 4	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.5	-21.2
U.S Dollar	63.2	-16.2
Canadian Dollar	105.5	+3.2
Austrian Schilling	110.2	+12.2
Belgian Franc	111.8	-1.7
Danish Krone	109.0	+3.2
D-Mark	119.0	+25.4
Swiss Franc	109.4	+17.8
Dutch Guilder	114.8	+16.5
French Franc	103.1	-12.9
Lira	98.7	-19.9
Yen	140.9	+75.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Dec.3

CURRENCY RATES

Dec 4	Bank % rate	Special* Drawing Rights	European † Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Dec.3

OTHER CURRENCIES

Dec 4	£	$
[illegible]	[illegible]	[illegible]

*Official rate. Floating rate £-2510.0 $-1420.0

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 4	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.455	-2.38	4.85	41
Belgian Franc	42.4032	41.9604	-1.04	3.44	44
D-Mark	2.05586	2.03652	-0.94	3.33	51
Dutch Guilder	2.31643	2.29520	-0.92	3.30	38
Irish Punt	0.767417	0.764587	-0.37	2.73	10
Italian Lira	1538.24	1538.67	0.03	2.33	-8
French Franc	6.89509	6.96106	0.96	1.39	-60
Danish Krone	7.84195	7.92415	1.05	1.29	-34
Sterling	0.696904	0.713319	2.36	0.00	-46

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Dec 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7720 - 1.7790	1.7730 - 1.7740	0.82-0.80cpm	5.48	2.52-2.49pm	5.65
Canada	2.0100 - 2.0200	2.0105 - 2.0115	0.54-0.48cpm	3.04	1.62-1.52pm	3.12
Netherlands	3.2125 - 3.2325	3.2225 - 3.2325	⅛-¼cpm	0.93	⅜-⅝pm	0.93
Belgium	58.65 - 59.00	58.85 - 58.95	6-1cpm	0.71	19-14pm	1.12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.06-5.01pm. 12 Month 9.45-9.35pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7720 - 1.7790	1.7730 - 1.7740	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Dec 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 5⅞-5⅝ per cent; three years 6⅛-6⅜ per cent; four years 6⅝-6⅜ per cent; five years 7⅛-6⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec 4	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Ecu
£	1	1.773	2.862	229.7	9.790	2.535	3.227	2164	2.011	58.90	1.404
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]
[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
105	1.49	-	-	0.62	-	-
106	0.92	1.66	-	1.04	1.10	-
107	0.53	-	-	-	-	-
108	0.29	0.81	-	-	-	-
Open Int	119,933	10,484	N/A	84,402	10,629	N/A

Estimated volume 24,771 Total Open Interest 225,448

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	Nat Westminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rates firmer

EUROPEAN money market rates were slightly firmer yesterday as operators waited for the Bundesbank council meeting this morning. But a weak set of US gross national product figures put downward pressure on American rates.

In Frankfurt, call money rates rose towards the Bundesbank's 9.25 per cent Lombard emergency funding rate on heightened speculation about the outcome of today's meeting.

While most traders agree there will be a rate rise this year, opinion remains divided about whether the Bundesbank will move today or at the next council meeting in a fortnight's time.

About half the market believes the Bundesbank will wish to assert its independence from Bonn and show greater concern on inflationary pressures by raising the Lombard rate by ¼ point to 9½ per cent.

But many other dealers think the political pressures before the Maastricht summit will make the Bundesbank wait until its next meeting.

Call money was quoted at 9.15-9.25 per cent, up from 9.15-9.20 per cent. Upward pressure came after the Bundesbank drained DM2.9bn from the Frankfurt money markets in its latest securities repurchase tender.

The Bundesbank accepted bids of DM44.9bn at this week's tender. It allocated DM32.3bn of thirty day funds, mostly at 9.25 per cent and DM12.6bn of sixty three day funds, mostly at 9.30 per cent. This compared with an expiring facility of DM47.8bn.

Other European rates were firmer. The French December inter-bank rate fell 8 points to 90.09 on worries about a rise in German rates. Elsewhere, the December Euro-swiss contract was down 2 points at 90.70. Italian rates also firmed.

London money rates were firm with the three months inter-bank rate unchanged at 10⅝-⅞ per cent. Sterling's slightly firmer tone against the D-Mark had little impact on money market rates.

In the futures market, March short sterling was up 4 points at 89.70.

Short rates were easier for much of the session after the Bank of England provided early assistance of £656m, which virtually met all of the day's projected £700m shortage. But later, rates hardened after the Bank revised its forecast to £850m but provided only another £25m of assistance, which left the market a net £169m short.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.4)	3 months US dollars		6 months US Dollars	
	bid 4⅞	offer 4⅞	bid 4⅞	offer 4⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]
[illegible]

LONDON MONEY RATES

Dec 4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]
[illegible]

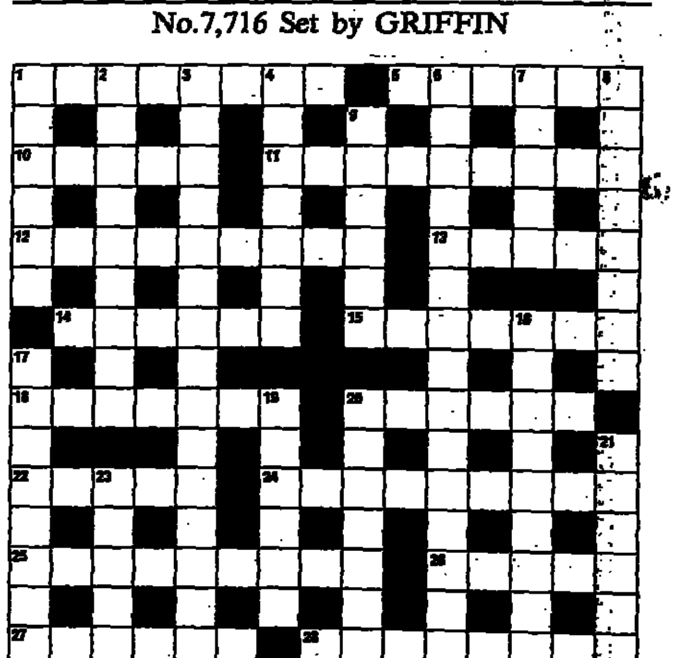
Money Market Bank Accounts

[illegible]
[illegible]

JOTTER PAD

CROSSWORD

No.7,716 Set by GRIFFIN



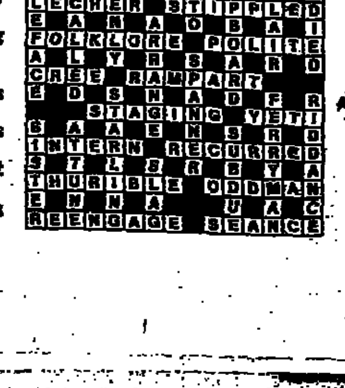
ACROSS

1 Blue swallow on shed ... (8)
5 ... settled on silver pipe (6)
10 Whispered "fellow isn't speaking badly" (5)
11 Bachelor left rabbits on galleries (9)
12 His cattle disrupted sports (9)
13 Which may take a picture? (5)
14 Share I had in seedy club (8)
15 Moving near the capital (7)
18 Left hospital a warning (7)
20 One carrying on where others are often below par? (6)
22 Meal with companion on train (5)
24 Subdued crowd rush round (9)
25 Travelling east I can rave about (9)
26 Cut back on writing tests (5)
27 Drink second scotch (6)
28 Club bulged when dancing in progress (8)

DOWN

1 Feed bananas to volunteers climbing ruin (6)
2 In wire production age is more important (9)
3 Revolvers which emit sparks (9,6)
4 Lofty double-decker stands by tree (7)
6 React angrily, as swimmers often do (2,8,3,4,3)
7 In time I caught her (5)
8 Distinguishes from ciders brewed by Poles (8)
9 Private courtyard, sort of square (6)
16 Restore, using guidelines, a famous gallery (9)
17 Puts new displays at a higher level (8)
19 Burnt a scruffy hat (6)
20 Sort of letter punishable by death (7)
21 Dies, collapsing against inventor (6)
23 One last word before you leave (5)

Solution to Puzzle No.7,715



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WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Dec 3	Dec 2	Nov 29	Nov 28	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2929.56	2935.38	2894.68	(c)	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.65	97.43	97.19	(c)	97.92 (12/11)	91.30 (16/1)	97.92 (12/11/91)	54.99 (1/10/81)
Transport	1223.28	1199.36	1172.27	(c)	1387.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.64	221.64	218.83	(c)	221.64 (2/12)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2958.18 (2941.64) Low 2904.74 (2855.32)

STANDARD AND POOR'S

	Dec 3	Dec 2	Nov 29	Nov 28	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	380.96	381.40	375.22	(c)	397.41 (13/11)	311.49 (9/1)	397.41 (13/11/91)	4.40 (1/6/32)
Industrials	449.02	449.84	442.42	(c)	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	30.41	30.34	29.77	(c)	32.54 (13/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	210.55	210.65	207.75	(c)	219.37 (13/11)	170.97 (9/1)	219.37 (13/11/91)	4.46 (25/4/42)
Amex Mkt. Value	372.45	371.89	370.68	(c)	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	533.34	530.91	523.90	(c)	556.17 (13/11)	355.75 (14/1)	556.17 (13/11/91)	54.87 (31/10/72)

	Nov 29	Nov 22	Nov 15	year ago (approx.)
Dow Industrial Div. Yield	3.15	3.15	3.10	4.01

	Nov 27	Nov 20	Nov 13	year ago (approx.)
S & P Industrial div. yield	2.82	2.80	2.67	3.42
S & P Indl. P/E ratio	22.78	22.79	22.04	15.37

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Unisys	7,209,500	5¼	...
USX-Marathon	3,472,500	24⅝	- 1⅛
Glaxo	2,823,100	29	...
Nabisco	2,466,200	9⅞	...
Wal-Mart	2,276,400	49⅞	+ ⅛
Adv Micro	2,253,900	14⅞	+ ⅝
AT & T	1,917,200	36½	+ ¼
Ohio Ed	1,914,300	19⅞	...
Chiquita	1,717,900	36½	- 4⅞
Ph Morris	1,617,800	68¾	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Dec 3	Dec 2	Nov 29
New York SE	188.077	188,371	76,790
Amex	11,444	13,247	6,921
NASDAQ	166,380	145,913	66,316
NYSE			
Issues Traded	2,160	2,162	2,059
Rises	825	926	746
Falls	834	779	762
Unchanged	501	457	551
New Highs	62	46	22
New Lows	31	70	44

CANADA

TORONTO	Dec 3	Dec 2	Nov 29	Nov 28	1991 HIGH	1991 LOW
Metals & Minerals	2834.08	2851.27	2846.05	2854.58	3299.99 (18/7)	2632.06 (9/1)
Composite	3453.41	3456.38	3448.51	3436.64	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1825.15	1819.91	1815.84	1810.02	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec 4	Dec 3	Dec 2	Nov 29	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1614.8	1607.9	1591.1	1605.7	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	646.0	641.5	630.8	638.5	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	404.29	403.54	403.87	412.41	534.81 (16/4)	385.58 (4/11)
BELGIUM						
BEL20 (1/1/91)	1077.60	1067.44	1059.37	1069.06	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	351.85	352.04	350.97	354.24	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	812.0	821.2	839.9	847.1	1186.9 (8/4)	810.3 (14/11)
FRANCE						
CAC General (31/12/82)	472.91	470.84	471.92	477.39	503.51 (15/11)	394.88 (15/1)
CAC 40 (31/12/87)	1713.93	1722.21	1708.78	1739.70	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	641.47	635.07	633.71	642.82	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1812.30	1793.40	1789.40	1814.60	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1560.96	1546.84	1545.44	1566.57	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4161.59	4124.38	4094.42	4149.80	4271.34 (15/11)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1356.08	1350.69	1347.51	1353.30	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital (1972)	509.01	513.28	510.25	518.50	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	22669.44	22166.83	21992.29	22687.35	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1728.47	1708.59	1692.40	1731.30	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2498.50	2496.92	2508.10	2528.56	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	529.41	528.38	528.21	532.09	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen (End 1983)	273.1	272.5	270.1	273.2	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	191.8	191.4	189.6	191.9	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	620.94	598.72	595.77	624.56	793.53 (26/8)	595.77 (2/12)
PHILIPPINES						
Manila Comp (2/1/85)	1104.29	1104.91	1096.03	1088.08	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	390.42	391.19	390.26	393.12	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1224.04	1216.0	1257.0	1233.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4163.04	4173.0	4175.0	4220.0	4364.0 (13/11)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	631.59	643.93	661.44	652.47	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	245.75	244.12	243.14	246.42	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	929.10	932.60	932.20	954.80	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	720.4	714.7	708.9	719.7	769.3 (14/11)	590.4 (14/1)
SBC General (1/4/87)	588.3	584.6	580.1	586.9	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4378.13	4343.24	4355.02	4391.61	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	670.07	663.75	666.60	671.07	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	502.7*	501.8	499.4	500.0	529.2 (17/4)	439.1 (16/1)

**Saturday November 30: Taiwan Weighted Price: 4378.50; Korea Comp Ex. 652.11.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7. JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500: (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, 4 December 1991

	Stocks Traded	Closing Prices	Change on day
NKK	5.9	335	0
Hitachi	5.6	945	+21
Japan Steel	3.4	583	+47
Okamoto	3.3	1,110	-10
Shiseido	3.1	1,750	+40
Meiji Milk Prod	2.9	1,090	0
Toshiba	2.8	628	+9
Clarion	2.4	1,220	+50
Nippon Steel	2.4	373	+7
Osaka Gas	2.3	590	+10

3:00 pm prices December 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18⅞	9¼	AAR Corp	0.48	4.0	16	145	12¼	12⅛	12⅛	-⅛
22⅞	14½	A L Labs A	0.16	0.8	22	1554	20	19⅞	20	+⅛
66¾	40⅞	AMP Inc	1.44	2.7	21	681	63¼	62⅞	62⅞	-⅜
69⅝	44¼	AMR				115663	60⅜	60	60⅛	-⅛
2⅜	1	ARX			1	24	1⅛	1⅛	1⅛	-⅛
56	41½	ASA	3.00	6.1	14	322	49⅝	48⅞	49	-⅛
61⅞	39¼	Abbott Lab	1.00	1.7	24	2969	59⅝	59	59½	-¼
14⅝	9⅞	Abitibi Pr	0.44	3.3	16	17	13⅜	13¼	13⅜	+⅛
11⅞	10⅜	ACM Gvt In	1.26	11.3		490	11⅛	11	11⅛	+⅛
9⅞	8¼	ACM GvOpp	1.01	10.5		47	9⅝	9½	9⅝	
9½	8⅛	ACM Gvt Sp x	1.01	11.1		898	9¼	9⅛	9⅛	
11	9⅞	ACM Gvt Se x	1.26	11.8		390	10⅝	10½	10⅝	
9	7⅝	ACM Man	1.01	11.7		198	8¾	8⅝	8⅝	
12⅞	11½	ACM Managd	1.36	11.0		167	12¼	12⅛	12¼	+⅛
7½	4¼	Acme Clevs	0.40	6.5	13	58	6¼	6⅛	6⅛	-⅛
6	3¼	Acme Elect			3	6	4⅞	4⅞	4⅞	
40	22¼	Acuson			18	3928	29⅜	27½	27⅞	-¼
20¼	14¼	Adams Expr	1.63	9.1	0	86	17⅞	17⅝	17⅞	+¼
20⅛	17½	Adobe12Pf	2.40	13.1		61	18⅜	18⅜	18⅜	-⅛
9¼	6⅛	Adobe Res			69	40	6⅛	d6	6	-¼
38⅜	18	Ad Micro x				34	u38⅜	38⅛	38⅜	+⅛
16	4⅝	Ad Micro P	3.09	20.0	74	8506	u15¼	14⅞	15	+⅛
5⅛	2⅛	Advest Grp	0.16	3.6	6	116	4½	4⅜	4⅜	
49⅛	31⅞	Aetna Lf x	2.76	7.0	7	968	39½	39¼	39¼	+⅛
10⅝	6⅝	Affil A	0.24	2.8	77	1161	8⅝	8⅜	8½	
20⅞	12	Ahmanson	0.88	6.1	8	2624	14⅝	14⅛	14⅜	-⅛
18½	2⅞	Aileen Inc			19	308	u19⅜	18⅝	19¼	+¾
74⅛	51⅞	Air Pr Chm x	1.56	2.3	15	3176	69⅛	68¼	68¼	-½
30	16⅝	Airbne Frt	0.30	1.4	16	144	21⅞	21⅝	21¾	-⅛

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NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅞	13½	Ruddick x	0.24	1.6	12	189	14⅞	14¼	14⅞	+⅛
18¾	13	RussBerrie	0.60	3.8	14	20	15¼	15⅛	15¼	
7⅛	⅝	Russ Togs	0.20	20.0	0	84	1⅛	1	1	−⅛
30⅞	19⅜	Russell Cp	0.32	1.1	22	427	28⅛	27⅞	27⅞	−⅞
21⅞	14	Ryder Sys	0.60	3.4	27	2092	18⅛	17⅞	17¾	−⅜
25¼	13¾	Ryland Grp	0.60	3.1	27	143	19½	19¼	19½	+½

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1991 High	1991 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅞	20⅞	S Anita Rt	2.08	10.0	18	223	21⅛	20¾	20¾	−⅝
16½	11½	SCOR US Cp	0.24	1.6	8	21	15½	15¼	15¼	−¼
37	20¾	SPS Techno	1.28	5.4	18	37	23⅞	23¾	23⅞	
2¼	⅝	SabineUSS	0.19	30.4		03684	[illegible]	d⅝	⅝	
13¼	11	Sabine Rt	1.63	12.5	7	43	13	12⅞	13	
11⅛	5⅞	Safecard	0.15	1.6	8	212	9½	9¼	9⅛	−⅛
16¾	8⅝	Safeg'd Sc			8	421	15¾	14½	15½	+1⅛
37	25	SafetyKln x	0.32	1.2	25	802	26⅛	25¼	26⅛	
21⅝	11⅞	Safeway			12	869	16⅛	15½	15⅝	−⅛
4⅞	2⅛	SafewayW98				100	3⅞	3¼	3¼	
35⅞	25⅞	StJoePaper	0.20	0.6	42	11	32⅛	32¼	32⅛	−⅛
34¼	26⅝	StJoeLAP	1.66	5.0	12	72	33⅜	33¼	33¼	+⅛
74¼	57	St Paul's x	2.60	3.9	7	1050	67¼	66⅝	66¾	−¼
4¼	1½	Salant Crp			0	5	2⅞	2⅞	2⅝	−⅛
69⅞	43⅝	Sallie Mae x	1.00	1.6	18	1548	63	61½	62⅝	+⅝
14¼	10⅞	Saloman Br x	1.61	12.8		174	12¼	12⅝	12⅝	−⅛
37	20¾	Salomoninc	0.64	2.3	6	1554	28¼	27⅞	27⅞	−⅝
45¼	37¼	SaDgo GIE x	2.80	6.5	12	848	43¾	43¼	43¼	−1¼
4⅞	2¼	SantaFeEDu	0.50	18.2	21	12	2⅞	d2¼	2¼	−⅛
16¾	9⅛	SantaFeERs	0.16	1.8	22	322	9⅞	9¼	9¼	
38¼	25	SantaFePac	2.70	8.1	10	23	33½	33⅛	33⅝	+¼
12¼	5⅛	SantaFeSth			16	11738	11¼	10⅞	10⅞	−⅛
52¾	29⅝	Sara Lee x	1.00	2.0	17	6955	52⅛	50⅛	50½	−2¼
⅛	⅛	Savin Corp				02168	0.08	d⅛	⅛	−0.02
[illegible]										

1991 High	1991 Low	Stock	Div.	Yld. %	P/ E	Sls 100s
46⅞	29⅞	TDK Corp A	0.36	1.0	27	98
9½	6⅞	T I S Mige	1.32	14.5	8	37
20⅞	9⅞	TJX Cos	0.46	3.0	14	3408
27	15⅞	TNP Entrp x	1.63	8.2	7	179
46¼	34½	TRW Inc	1.80	4.9	17	687
1½	⅞	TacomaBoat			0	69
25¼	18⅛	Taiwan Fd				140
8¼	3⅛	Talleyind	0.20	5.2	0	69
11⅞	5⅛	Talley Pf	1.00	13.8		5
62	38⅝	Tambrands x	1.36	2.3	26	2541
18⅞	9¼	Tandem			31	2044
39½	23⅞	Tandy Corp x	0.60	2.4	10	1359
12⅝	10⅞	Taurus Mun	0.85	6.9		63
39⅝	31½	Teco Energ	1.72	4.3	16	241
30⅞	18	Tektronix	0.60	3.4	10	600
1⅞	⅞	Telecom Cp			2	103
24⅞	14⅞	Teledyne	0.80	4.0	20	251
38⅜	24⅝	TeleEspSA	1.41	4.0		83277
48	24½	Telmex ADR				9981
51½	28½	Templetnl x	0.88	2.1	14	548
23¼	11½	TempltEmMk	0.16	0.8		28
9⅝	8⅞	TempltGlob x	0.84	9.0		81
9¼	7⅞	TempltGlFd	0.94	9.5		830
52	32¾	Tennecoinc	1.60	4.8	7	1914
22½	18⅝	Teppco Ptr	2.20	10.9	17	114
16⅞	6¼	Teradyne			46	314
16⅝	7½	Terex	0.06	0.4	9	265
9¼	5¼	Tesoro Pet			13	80
70	55½	Texaco	3.20	5.6	11	9227
53	49¼	Texaco C x	3.85	7.4		4
26	14	Texas Ind	0.20	1.0	160	192
47⅞	27⅞	Texas Inst x	0.72	2.6	5	1219
26	19	Texas Pac	0.40	2.1	23	56
41¼	34½	Texas Util x	3.00	7.5	21	1517
10¼	9¼	Textl Pf	1.10	11.3		5

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1991 High	1991 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
68	35¼	Xerox x	3.00	4.7		501683	64¼	63½	63⅝	
61¼	43¼	Xerox4 125 x				z100	49½	49½	51	+1⅛
25¼	14⅛	Xtra 1.94				15	23	22⅞	23	
29¾	14¼	Xtra Corp	0.72	2.6	90	51	27⅝	27⅛	27⅛	+⅛
27⅞	21⅞	Yankee Egy	1.60	6.1	12	66	27	26⅜	26⅜	−½
1½	⅞	Zapata			56	114	⅝	d⅞	⅝	−⅛
9⅞	5¼	ZenithElec			2	724	7⅛	7	7	−⅛
16½	12	Zenith Nat	1.00	6.6	127	12	15⅝	15⅛	15¼	−⅛
8⅞	4½	Zenix Inc	0.84	13.4		78	6¼	6⅛	6¼	+⅛
15⅛	10⅝	Zero Corp	0.40	3.7	14	154	10⅞	d10⅝	10⅝	
41⅞	29½	Zurn Ind x	0.88	2.6	13	64	34⅛	33⅝	33⅝	−⅝
13½	10¼	Zweig Fund	1.16	9.2		75	12¼	12½	12⅝	
10½	8½	Zweig Tot x	0.96	9.4		617	10⅛	10¼	10¼	−⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices December 4

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Oil Corp	0.14	8	496	7⅝	7⅜	7½	
Pall Corp	0.29	38	702	36¼	35⅛	35½	−⅞
Pegasus G		7	864	12¼	12	12	+⅛
Perini		6	4	9¾	9¾	9¾	
Pel HdP x	0.31	7	2	11⅛	11⅛	11⅛	−⅛
Phil LD x	0.18	13	1971	u30⅞	29½	30⅞	+1½
Pitney A x	1.10	12	12	28¾	28½	28¾	−¼
Ply Gem	0.12	114	269	8⅛	8	8	−⅛

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NASDAQ NATIONAL MARKET

3:00 pm prices December 4

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AMERICA

Dow declines on evidence of economic weakness

Wall Street

BLEAK ECONOMIC news contributed to a slump on Wall Street yesterday morning, *writes Karen Zagor in New York.*

At 1.30 pm, the Dow Jones Industrial Average was 13.86 lower at 2,915.70 in moderate volume. On the big board, declining issues led advancing ones by a ratio of four to three.

The more representative Standard & Poor's 500 fell 1.57 *to 379.39 by 1 pm, but secondary* issues continued to defy the decline in primary stocks with the Nasdaq composite adding 1.41 to 534.75 by midsession. On Tuesday, the Dow eased 5.82 to 2,929.56.

The market digested the gloomy economic data yesterday morning, as it waited for tomorrow's November employment *figures for further signs* of whether monetary policy will be eased.

Third quarter GNP and GDP figures were both revised downwards, indicating negligible growth prospects for the fourth quarter. Furthermore, the Fed's "beige book" underlined the softness in the economy in October and early November.

Transportation stocks, which posted strong gains late on Tuesday after Pan Am said that its reorganisation plans had faltered, reversed direction. At 1 pm, the Dow Jones Transportation Average was 5.04 lower at 1,218.24 after climbing 23.92 a day earlier.

UAL, parent of United Air-lines, fell $4¼ to $125¼. News that the company expects a record loss for 1991 came after the close on Tuesday.

Delta Air Lines, which essentially scuppered Pan Am's *plans to emerge from bankruptcy* when it refused to provide any further funding for *the cash-strapped carrier,* eased $1 to $59¼. Pan Am ceased operations yesterday morning.

Live Entertainment held steady at $5¾ at midsession, after plunging in early trading on news that a planned merger *with Carolco had failed.* Carolco gained $⅜ to $3⅞.

Unisys continued to lead big board trading, easing $¼ to $4¾ as the market discounted reports earlier in the week that the struggling computer company is a takeover target.

A number of blue chip issues were heavily traded yesterday morning including General Electric, off $⅞ at $63¾, General Motors, $¼ lower at $29⅞ and Philip Morris, down $⅝ at $68¼.

IBM edged back towards a 52-week low, sliding $1 to $90¼.

Healthcare and medical stocks helped the secondary *market move higher. Centocorp* climbed $1¼ to $51¾ and Amgen added $1 to $58¾.

Vestar surged $3⅞ to $15⅞ after the company won approval to market its fungal infection treatment, Ambisome, in the UK.

Mobley Environmental plummeted $3½ to $8 after the company said it expected fourth quarter earnings to fall below third quarter levels.

Canada

TORONTO stocks declined in sluggish midday trade. The composite index fell 21.6 to 3,431.8, *but moved above the* session low of 3,429.8. Declining issues led advances by 277 to 143 on volume of 12.9m shares valued at C$146.5m.

Royal Bank of Canada dropped C$⅞ to C$26⅛. Central Capital Corp said it would need *more time to repay* C$214m in short-term debt to the Royal Bank and four other lenders.

ASIA PACIFIC

Rally in the bond market helps Nikkei rise 2.2%

Tokyo

LOWER short-term interest rates and a bond market rally stretched the technical recovery *in equities into a second* day yesterday, and the Nikkei average jumped 2.2 per cent, *writes Emiko Terazono in Tokyo.*

The Nikkei closed 502.61 higher at 22,669.24. It opened at the day's low of 22,181.55 and hit a high of 22,737.39 just before the close. However, volume fell to 220m shares from 250m in activity dominated by futures-led index buying.

Rises led falls by 821 to 174, with 111 issues unchanged. The Topix index of all first section stocks gained 19.88 to 1,728.47, although in London the ISE/Nikkei 50 index was up just 0.57 at 1,303.19.

Some brokers were still cautious *in spite of the rebound.* "The rise is only technical, and the overall environment has not changed," said Mr Shigeru Akiba at UBS Phillips & Drew. He added that equities were only responding to speculative movements in the futures area.

The futures market was supported by institutional investors, including life insurers. Mr Graham Biggart at Schroder Securities said the gloomy sentiment there had evaporated. "The futures market looked oversold, and there was solid buying," he commented.

Traders also maintained that worries over arbitrage unwinding ahead of the December futures expiry had subsided. The December futures contract expires on December 12, and the settlement price, or special quotation, is fixed by opening share prices on December 13.

Arbitrage positions have declined to manageable levels. The Tokyo Stock Exchange announced that cash stocks held against futures totalled 1.01bn shares as of November 29, down 123m shares from the previous week. From November 25 to 29 Goldman Sachs was the top arbitrageur, trading 13.3m shares or 16.4 per cent of the overall market. Morgan Stanley and Sanyo Securities followed.

International blue chips continued to rise on bargain hunting. Hitachi added Y21 at Y945 and Toshiba Y9 at Y628.

Speculative stocks were again popular with investors looking for short-term profits. Toyo Ink moved ahead Y63 to Y780 and Nippon Carbon Y340 to a year's high of Y2,840.

Shiseido, the cosmetic manufacturer, climbed Y40 to Y1,750 on active buying. Projections of a solid increase in pre-tax profits for the current year have been supporting the stock, while the exercise period for a warrant issue expires next week.

In Osaka, the OSE average put on 361.54 to 24,143.12 in volume of 18.2m shares. The index passed the 24,000 level for the first time in three days on rises in the textiles, machinery and high-technology sectors. Nintendo, the game maker, advanced Y600 to Y12,100 on the fall in the stock's margin buying position.

Roundup

TOKYO'S RISE failed to inspire much confidence in the Pacific Rim yesterday.

HONG KONG closed well off the day's high on profit-taking. The Hang Seng index put on 50 points before ending 37.21 ahead at 4,161.59, its best close in a week. Turnover came to HK$1.16bn, against HK$1.13bn.

Banks paced the market, followed by property counters and commercial and industrial shares. HSBC Holdings, parent of Hongkong & Shanghai Banking, gained HK$1 to HK$33.75, while subsidiary Hang Seng Bank added HK$1 at HK$35.50.

NEW ZEALAND retreated after an unusually busy session as a number of block sales depressed prices. The NZSE-40 index finished at the day's low of 1,467.67, down 22.41 or 1.5 per cent. Turnover swelled to NZ$44.5m from NZ$16.9m.

Carter Holt Harvey was the most active stock as it lost 2 cents to NZ$2.21 in volume of 5.5m shares, including a block of 2.5m shares crossed at NZ$2.32 and another parcel of 2m at NZ$2.23.

Fletcher Challenge shed 5 cents to NZ$3.33 in volume of 3.9m shares, including a block of 1.9m at NZ$3.35.

SEOUL fell on rumours of company insolvencies and worries about the economic outlook and the outflow of market funds. The composite index slipped 12.34 to 631.59 in steady turnover of Won133bn.

KUALA LUMPUR edged higher on late bargain hunting, although volume remained thin. The composite index firmed 1.03 to 529.41 as 22m shares changed hands, compared with 20m on Tuesday.

BANGKOK's SET index gained 6.32 to 670.07 in light turnover of Bt2.12bn. The National Legislative Assembly is due to vote on the draft constitution on Saturday.

MANILA ended mixed after quiet trading. The composite index eased 0.62 to 1,104.29 as turnover expanded to 109m pesos from 46m.

The only winner was Philippine Long Distance Telephone, after its overnight rise in New York. The shares appreciated 5 pesos to 770 pesos.

AUSTRALIA built on Tuesday's gains. The All Ordinaries index added 6.3 at 1,614.3 in turnover of A$180m (A$195m).

TAIWAN gained ground in technical trading. The weighted index advanced 34.89 to 4,378.13 in thin turnover of T$12.3bn, down from T$15.9bn.

KARACHI's KSE index forged ahead 100 or 3.2 per cent to a record high of 3,249, as foreign buying continued.

SOUTH AFRICA

SHARE PRICES finished *mixed in cautious trading* in Johannesburg yesterday. The all-gold index recouped 14 to 1,224 after Tuesday's fall, while the industrial index slipped 10 to 4,163 and the overall index fell 11 to 3,494.

Istanbul backs new coalition government

John Murray Brown reports on a 70% index gain since the October general election

TURKEY'S stock exchange has given its own vote of confidence to the new coalition government. After sliding for most of the year, the equity market has risen by more than 70 per cent since the general election in October.

With little more than a nod and a wink from the government, the Istanbul bourse has shot up on hopes of lower interest rates, tax changes to encourage equities and the return of foreign investors.

Its 75-share index ended yesterday at 4,360, up 30 points since Tuesday. Turnover was around TL400bn ($80m).

The market, at a current price/earnings ratio of around 12, is widely seen as undervalued. According to the International Finance Corporation, the World Bank's private sector loan arm, Istanbul is the worst performing emerging market this year, in spite of the recent rally.

The IFC gives different weightings to index constituents. On its calculations, Turkish shares had fallen by 27 per cent in local currency terms and 56 per cent in dollar terms by late November; the next worst market, Greece, was down 14 and 24 per cent respectively.

For the first time in several months, Turkish brokers report strong interest from foreign exchange traders in the Covered Market, Istanbul's foreign exchange bazaar, suggesting renewed confidence in the Turkish lira and in the government's economic programme.

Traders estimate that a switch of funds out of the Covered Market into Turkish lira-denominated equities may account for 15 to 20 per cent of the recent increase in volume. Turnover has risen as high as TL600bn in a single two-hour trading session, compared with TL60bn just a few weeks ago.

So now the complaint is lack of liquidity. Ms Donna Pulini, a broker with Global, a local brokerage, says: "It is impossible to buy stock at these low levels in any kind of volume. There is a lack of shares on offer – lots of orders, but no-one was selling."

The Turkish market certainly lacks depth, with just over 130 stocks traded. One of the government's targets is to encourage Turkish pension funds and other institutions to invest.

Yesterday's Treasury auction, another indicator of market confidence, saw a further decline in volume, with sales of TL1,400bn of government paper. With less government paper around, dealers expect banks and institutions to put excess funds into equities.

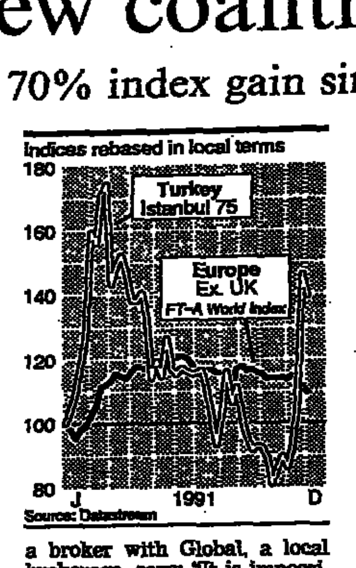
The interest rate yesterday fell to 71.82 per cent, compared with a high last month of 77 per cent. Bankers expect a downward trend in Turkish interest rates, which have recently offered strong competition to the stock market.

The government, under the guidance of Mrs Tansu Ciller, its newly appointed economics minister, is said to be considering imposing tax on the interest on government bonds, which brokers believe would encourage more institutions to switch from fixed interest bonds to equities. There is also talk of taxing dividend income, although brokers are loath to mention that.

Trading has been strong in blue chip stocks, such as Arcelik, the white goods subsidiary of Koç Holding, one of Turkey's largest privately owned conglomerates.

Brewers have done particularly well, somewhat surprisingly in a predominantly Moslem country. Cement issues, such as Adana and Mardin, have also attracted buyers. Both these companies are near the Iraqi border and are expected to benefit from sub-contracting supply work in the eventual reconstruction of that war-torn country.

Turkey's market is still free from capital gains tax, there is no dividend withholding tax and no stamp duty. Earnings can be freely remitted overseas. "You give me a million to invest. If the market goes up 100 per cent, you take out the entire two million," says one broker . . . forgetting to mention his commission.



EUROPE

Soviet debt concerns keep investors cautious

TRADING was concentrated in individual stocks yesterday, as concerns over Soviet debt and Wall Street's weak opening kept investors cautious, *writes Our Markets Staff.*

MILAN was hit by sell orders in Olivetti which drove its ordinary stock down L150 or 5.3 per cent to L2,670 in estimated volume of 800,000 shares. Cir, the group's holding company, also fell sharply, losing L101 to L1,799 by the close of continuous trading.

There were rumours that the selling was being conducted by Nomura, but this was denied by officials at the Japanese securities house. However, Nomura's sector analyst, Mr Miles Saltiel, had a meeting with Olivetti officials yesterday, after which he increased his forecast of a 1991 net loss from L100bn to L250bn. He also said that his forecast of break-even in 1992 was conditional on turnover falling by not more than 2 per cent. "Olivetti's sales volume is the greatest single uncertainty," he said.

The Comit index fell 4.27 to 509.01 in turnover estimated at near Tuesday's L74bn. Pirelli steadied after its recent slide, closing L15 up at L1,215.

One of the day's few gainers was the insurer Ras. Its ordinary stock rose L199 to L18,749 and its savings shares put on L370 to L12,400. The stock has been rated a "buy" by several brokers recently.

FRANKFURT reported scattered investor interest and a number of individual situations, as investors moved further into positive territory after Monday's losses. The DAX index rose 14.12 to 1,560.96 after a 6.40 rise to 641.47 in the FAZ.

However, Ms Barbara Altmann at B Metzler in Frankfurt said that share price moves were still more influenced by the DTB, Frankfurt's futures and options exchange, than by any institutional equity initiative. "The insurance companies have closed their books for the year," she said, and the banks are now "only window dressing their accounts." Volume fell from DM4.8bn to DM4.2bn.

Metzler remains positive on Continental, which it has been recommending recently as an earnings recovery situation. The tyre company rose another DM7.50 to DM215.50 yesterday. Elsewhere, Viag rose DM6 to DM359.60 on an acquisition-swelled, 41 per cent rise in profits, and Asko recovered some of its recent losses with a DM28 gain to DM697.

Deutsche Bank rose DM8.50 to DM660 during the official session, ahead of today's interim report; fell back to DM654 in the early post-bourse on more Soviet debt worries, and a weak start for Wall Street; and recovered to DM658 at the London close.

PARIS lost its early gains on worries about Wall Street and the Soviet Union, closing lower in moderately active trading. The CAC 40 index reached a day's high of 1,737.68, but finished 8.26 down at 1,713.93 in turnover of about FFr2.5bn, up from FFr2.3bn.

Accor dropped FFr20 or 3 per cent to FFr640 in FFr79m turnover after a Belgian court ordered the hotels group to raise its bid for Wagons-Lits from BFr8,650 a share to BFr12,500. Accor said that it would appeal.

Blue chips fell, with Alcatel Alsthom down FFr10 at FFr538 in turnover of FFr256m, and Total losing FFr34 or 3.2 per cent to FFr1,034.

One piece of good news was the successful flotation of Christian Dior. The domestic tranche was reportedly oversubscribed by 1.5 times, and the international placing by about three times. The shares will be listed on the cash market today at FFr410 each.

BRUSSELS suspended trading in Wagons-Lits before the court ruling that Accor of France and Société Générale de Belgique should raise their takeover bid to the price they had paid for an earlier stake. The Bel20 index rose 10.14 to 1,077.60. Acec-Union Minière, the non-ferrous metals company which has announced a restructuring programme, rose another BFr65 to BFr2,165.

STOCKHOLM fell but closed above the day's lows in moderate trade. The Affärsvärlden General index fell 3.5 to 928.1 in turnover of SKr308m.

Astra free B shares fell SKr2 to SKr509 ahead of the company's annual presentation to analysts and fund managers in London this afternoon. Gambro, the medical supplies company, recorded a new high for the year, its free B shares adding SKr4 to SKr237.

OSLO recovered 4.1 per cent after its recent weakness. The all-share index jumped 15.38 to 391.92 in heavy turnover of NKr650m.

AMSTERDAM was supported by a firmer dollar and a small amount of options-related buying. The CBS Tendency index rose 0.4 to 88.7 in thin trading.

FT-SE Eurotrack 100 - Dec 4

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1061.09	1061.41	1061.05	1060.55	1060.09	1059.94	1058.47	1058.20

Day's High 1061.54 Day's Low 1057.88

Dec 3	Dec 2	Nov 29	Nov 28	Nov 27
1058.25	1047.98	1062.86	1070.76	1069.79

Base value 1000 (26/10/90)

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood *Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 3 1991								MONDAY DECEMBER 2 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	151.67	+1.4	126.94	124.11	127.23	128.47	+1.2	4.54	149.65	124.89	122.93	125.19	127.00	160.31	112.74	121.97
Austria (20)	166.59	+0.0	139.42	136.32	139.75	139.68	+0.3	2.07	166.61	139.04	136.86	139.37	139.20	222.37	153.86	198.64
Belgium (47)	132.64	+0.7	111.01	108.53	111.26	108.60	+1.0	5.45	131.68	109.89	108.16	110.15	107.49	151.20	118.04	135.02
Canada (115)	137.52	+0.0	115.09	112.52	115.35	112.92	+0.1	3.30	137.50	114.75	112.94	115.01	112.81	144.28	126.49	128.92
Denmark (37)	252.64	−0.3	211.44	206.74	211.93	215.53	+0.2	1.66	253.29	211.38	208.06	211.88	215.13	270.56	217.74	239.96
Finland (15)	76.01	−3.5	63.61	62.20	63.76	69.72	−3.2	3.49	78.79	65.76	64.73	65.91	71.99	125.15	76.01	105.86
France (109)	138.19	+0.6	115.66	113.07	115.91	119.50	+0.8	3.71	137.40	114.67	112.86	114.93	118.54	152.26	119.11	140.24
Germany (65)	108.89	−0.1	91.13	89.11	91.34	91.34	+0.2	2.52	108.96	90.93	89.51	91.14	91.14	125.35	94.15	115.53
Hong Kong (55)	169.48	+0.7	141.84	138.68	142.18	168.95	+0.8	4.39	168.29	140.45	138.24	140.78	167.68	176.14	119.82	122.58
Ireland (18)	153.58	+0.3	128.53	125.67	128.83	130.95	+0.4	3.83	153.16	127.82	125.81	128.12	130.48	182.46	132.88	147.89
Italy (77)	71.63	+0.6	59.95	58.61	60.08	65.12	+0.8	3.56	71.21	59.42	58.49	59.56	64.60	88.23	64.76	78.82
Japan (474)	130.58	+1.4	109.28	106.85	109.55	106.85	+1.0	0.80	128.79	107.48	105.79	107.75	105.79	146.97	118.23	116.53
Malaysia (68)	202.06	+0.2	169.11	165.34	169.50	214.09	+0.2	2.91	201.73	168.35	165.70	168.75	213.73	247.78	189.18	192.47
Mexico (17)	1330.09	−0.5	1113.17	1088.38	1115.75	4422.38	−0.5	1.16	1337.40	1116.13	1098.58	1118.75	4446.67	1404.63	534.45	585.55
Netherland (31)	143.13	+0.7	119.79	117.12	120.07	118.86	+1.1	4.54	142.08	118.58	116.71	118.88	117.60	148.25	125.70	133.81
New Zealand (14)	47.98	+0.4	40.16	39.27	40.26	45.33	+0.6	6.13	47.79	39.89	39.26	39.98	45.05	54.64	41.18	47.20
Norway (30)	157.47	+0.3	131.79	128.86	132.10	135.78	+0.6	1.90	157.08	131.09	129.03	131.40	135.01	223.24	157.08	221.02
Singapore (38)	205.08	−0.2	171.62	167.80	172.02	157.10	−0.1	2.22	205.48	171.49	168.79	171.89	157.24	213.93	151.63	153.95
South Africa (61)	265.14	−1.1	221.90	216.95	222.41	177.51	−0.3	2.77	268.05	223.71	220.18	224.23	178.09	271.99	173.00	176.11
Spain (53)	146.21	+0.7	122.37	119.64	122.65	114.09	+1.0	4.85	145.14	121.13	119.23	121.41	112.92	171.12	131.51	145.62
Sweden (25)	167.40	−0.4	140.10	136.99	140.43	146.46	−0.2	3.04	168.04	140.24	138.04	140.57	146.71	204.12	146.60	164.29
Switzerland (59)	93.25	+0.7	78.04	76.31	78.24	82.53	+1.0	2.45	92.56	77.25	76.04	77.44	81.72	100.67	82.17	89.71
United Kingdom (239)	171.26	−0.2	143.33	140.13	143.65	143.33	+0.1	5.20	171.53	143.15	140.89	143.48	143.15	187.44	156.27	165.58
USA (526)	155.17	−0.1	129.86	126.97	130.17	155.17	−0.1	3.13	155.29	129.60	127.57	129.91	155.29	161.59	125.95	131.77
Europe (825)	136.98	+0.2	114.64	112.09	114.91	115.45	+0.4	4.18	136.75	114.13	112.34	114.40	114.95	151.52	125.50	136.80
Nordic (107)	171.03	−0.3	143.14	139.95	143.47	142.46	+0.0	2.27	171.60	143.21	140.96	143.55	142.46	200.81	155.55	174.03
Pacific Basin (718)	132.06	+1.3	110.52	108.06	110.78	109.07	+1.0	1.14	130.32	108.76	107.06	109.02	108.02	145.92	117.86	116.67
Euro–Pacific (1543)	134.35	+0.9	112.44	109.92	112.69	112.38	+0.8	2.38	133.21	111.17	109.41	111.42	111.53	147.66	121.29	125.20
North America (641)	154.00	−0.1	128.88	126.03	129.20	152.31	−0.1	3.14	154.11	128.62	126.61	128.94	152.42	160.44	125.91	131.38
Europe Ex. UK (586)	116.39	+0.4	97.41	95.26	97.66	99.39	+0.7	3.42	115.92	96.74	95.24	96.99	98.72	129.80	103.58	119.00
Pacific Ex. Japan (244)	146.65	+0.8	122.74	120.02	123.03	129.94	+0.8	4.18	145.45	121.39	119.50	121.69	128.94	153.19	111.40	117.56
World Ex. US (1736)	136.60	+0.8	114.32	111.79	114.59	114.16	+0.7	2.41	135.56	113.13	111.36	113.40	113.37	148.16	122.32	126.02
World Ex. UK (2023)	139.03	+0.5	116.35	113.77	116.64	125.29	+0.4	2.38	138.30	115.42	113.61	115.70	124.74	146.16	120.06	123.23
World Ex. So. Af. (2201)	141.01	+0.5	118.01	115.39	118.30	126.56	+0.4	2.67	140.34	117.12	115.29	117.40	126.03	148.66	122.92	126.70
World Ex. Japan (1788)	149.15	+0.0	124.83	122.06	125.14	138.17	+0.1	3.54	149.10	124.44	122.49	124.75	137.97	155.59	126.69	133.69
The World Index (2262)	141.84	+0.5	118.71	116.07	118.99	127.02	+0.4	2.67	141.20	117.84	115.99	118.12	126.50	149.37	123.28	126.99

CONSTITUENT CHANGES: At the quarter-end review of the FT-Actuaries World Indices, it was decided to make the following constituent changes with effect from January 1 1992: **Addition:** Cifra C (Mexico). **Deletions:** DNL Series B; Norsk Data A; Norsk Data B (all Norway) and Lep Group (UK). **Classification changes to existing constituents:** Wilson & Horton to Publishing/Newspapers (New Zealand); Booker to Food Processors; Carlton Comms. to Broadcasting Media; Portals Group to Paper & Paper Products and Spring Ram to Building Materials (all UK). **Canada:** A weighting factor of 10% will be applied to Alberta Energy to adjust for foreign ownership restrictions. Latest prices were unavailable for this edition.

BUSINESS LAW

The shape of agreements to come

By Jennie Mills

The initialling two weeks ago of a new breed of association agreements by the European Community and the Czech and Slovak Federal Republic (CSFR), Hungary and Poland, aims to provide an appropriate framework for political dialogue and for the integration of the three Central European countries into the EC. At the heart of the desire for integration lies the urgent need for the expansion of trade and economic co-operation between the two camps.

During the talks, the three central European countries eschewed the temptation to place undue emphasis on foreign aid and instead sought access to EC markets for their products. In return they offered to accept far-reaching obligations to create an attractive environment for private sector investment, especially foreign investment, which they hope will bring with it the transfer of technology.

The three central European countries also emphasised the need for closer political dialogue so as to anchor themselves in the community of *democratic nations.*

Clearly all three would have liked to have seen a clear statement in the agreements – known as the "European agreements" – concerning their ultimate accession to the EC, certainly by no later than the end *of the 10-year transition* period defined in the agreements. This proved impossible for the EC to accept. However, a compromise was agreed. However, the preamble recognises that the ultimate aim of the three countries is accession to the EC.

The EC was quick to respond to the political changes in central Europe in autumn 1989, both by the establishment of the *Phare Programme – an* economic aid package to Poland and Hungary – and by the conclusion of more favourable trade and co-operation agreements.

The European agreements which supersede these trade and co-operation pacts cover issues within the competence of the member states and some, such as trade, *within the* competence of the EC as a whole. Accordingly they will require ratification and are unlikely to come into force before mid-1992.

In the meantime, the EC proposes to apply an interim agreement covering the trade issues of the European agreements, thus taking the Community, the CSFR, Hungary and Poland on the first step towards the creation of a free trade area between the EC and each of the three central European countries.

The fundamental principle of the agreements is that of "asymmetry". Under this arrangement, the EC and member states have indicated a willingness to offer concessions during the first five years of the 10-year "transitional period" on the basis of concessions to be made by the central European countries in the second five years.

The agreements emphasise the need for the free movement of goods. The economies of each of the three central European countries have suffered badly from the collapse of trade with their former Comecon partners and in particular the former Soviet Union. As a result each country has highlighted the importance of developing new markets in western Europe, especially in the EC.

A distinction has been made in the agreements between steel and coal, textiles and *agriculture, which are* regarded by the EC as "sensitive products", and general industrial products. In the case of general industrial products, the agreements provide for specific timetables for the reduction and abolition of tariff and non-tariff barriers.

The issue of the "sensitive products" proved more difficult to resolve although the so-called "triangular arrange*ments" concerning agricultural* products, have gone some way towards alleviating member states' concerns over the potential influx of Central European agricultural products. Under these arrangements part of the EC aid to the former Soviet Union will be allocated to the purchase of agricultural products from the *central European countries for* distribution in the former Soviet Union.

It has also been necessary for the trade aspects of the agreements to be considered in the context of negotiations on the General Agreement on Tariff and Trade; all the parties have been keen not to prejudice the outcome of the Uruguay Round. A similarly realistic approach was also adopted with regard to the liberalisation of services.

The central European countries are probably a little disappointed at the concessions offered by the EC and the member states on free movement of workers. However, this issue falls within the competency of member states and "immigration" and free movement of workers is currently high on the EC agenda.

One area where the central European countries have in practice offered a "reverse asymmetry" is over rights of establishment of enterprises. In theory the EC has offered an open policy on the right of central European companies to establish themselves in the EC. In practice, however, such companies may find it more difficult.

However, the offer by the central European countries to encourage the flow of EC companies and nationals in their countries, while generous, is motivated *by the need* to attract foreign investment and know-how.

The preamble to the agreement recognises that the ultimate aim of the three central European states is accession to the EC

A balance however had to be struck between this urgent need and the need to protect their own newly emerging industrial and service sectors. The agreements thus contain safeguards which may be implemented where *circumstances* justify. The sensitive financial services and banking sector is one area reserved for gradual liberalisation.

The CSFR, Hungary and Poland have also accepted a key obligation to approximate their existing and future legislation with that of the EC. Since member states themselves often struggle with this obligation, the significance of its inclusion in the agreements cannot be underestimated – governments may come and go but this obligation will remain.

The implementation of the agreements will bring the three central European countries closer to the EC and will provide a more friendly environment for investors in their own countries. Indeed, the central European countries have already shown their willingness to embrace EC legislation, as can be seen by their adoption of competition legislation based on the Community model.

The agreements also address the issue of economic co-operation. This includes co-operation in the industrial field with the emphasis on modernisation and restructuring – especially in the heavy industrial sector. Co-operation in the area of investment promotion and protection – essential to attract foreign investment – is also included.

Another important aspect of economic co-operation relates to the conformity of standards. Previously the three central European countries' output was geared towards the former Comecon market. Since these markets have changed so too must the quality of their products, *particularly as the EC* moves towards Community-wide standards. Some progress has already been made but the agreements provide the framework for further co-operation in this area.

The agreements also include provision for financial co-operation, not merely in the framework of the Phare programme, but also through other financial instruments and the European *Investment* Bank. The EC has been keen to ensure that its financial assistance is co-ordinated with that of other international organisations, particularly the IMF.

In return for such assistance the central European countries will undertake to work with the EC towards the free movement of capital – an issue which the EC has itself yet to resolve completely.

Clearly, the agreements are a significant milestone in the developing links between the CSFR, Hungary, Poland and the EC. At the end of the day, however, they provide only a framework and rely much on interpretation in the "spirit of the agreements".

The motives of the central European countries are clear – the need to develop new markets for their products and to return to what they justifiably regard as their rightful place in Europe. The motivation of the EC member states is perhaps less transparent and will be tested when the three central European countries actively seek full membership of the EC.

The author is the partner in charge of the Brussels and Prague Offices of City solicitors Turner Kenneth Brown.